

RESOURCES

5

Fiscal Year Comparative Summaries of Chandler's Revenue Sources Major Revenue Sources with Analysis and Historical Trends

RESOURCES



Building our stamina and endurance through the years to maximize resources has allowed us to develop a winning combination of a diversified employment base and dynamic business environment. Mixed with some of the lowest costs for municipal services in the Valley, we continue to move in a very positive direction.



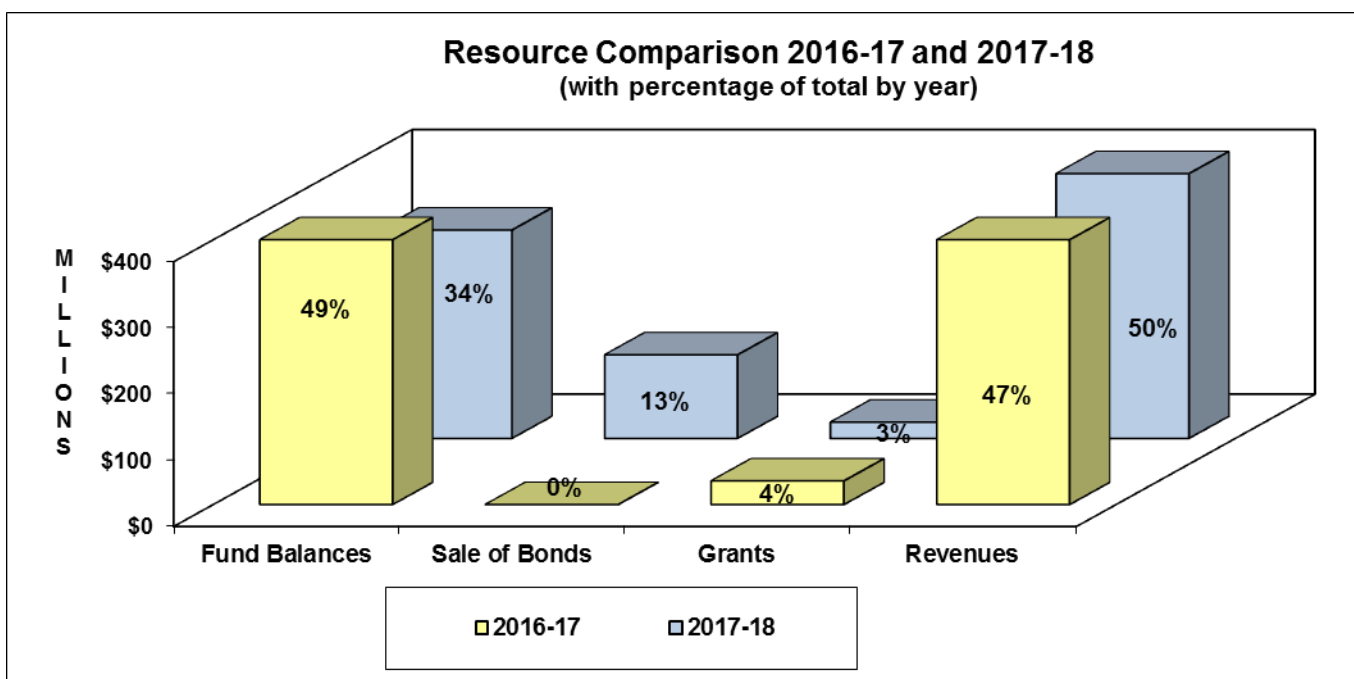
Resources Summary

The Resources section of this document has been prepared to present all sources of revenue in summary form and to offer a more detailed description of major revenue sources. The resources section offers historical reference points and highlights of revenue fluctuations, and serves as the basis for current year estimates.

The next four pages of this section provide summarized data of the comparison of the Fiscal Year (FY) 2016-17 Adopted Budget to the FY 2017-18 Adopted Budget. Subsequent pages in this section give a more detailed description of operating revenues and system development fees, offering summaries of the revenue types, analyses of past revenue collections, and assumptions used in developing the Adopted FY 2017-18 revenue projections.

RESOURCES CATEGORICAL COMPARISONS

	2015-16 Actual Revenues	2016-17 Adopted Budget	2017-18 Adopted Budget	% Change Adopted to Adopted
Fund Balances	\$ -	\$ 483,501,895	\$ 314,660,785	(34.9%)
Sale of Bonds	70,000,000	-	126,226,000	N/A
Grants	23,058,178	35,683,322	24,415,702	(31.6%)
Revenues	460,481,470	452,065,390	469,243,510	3.8%
Total Resources	\$ 553,539,649	\$ 971,250,607	\$ 934,545,997	(3.8%)
Encumbrance or Carryforward from Prior Years	-	(324,944,085)	(273,672,954)	
Net Adjusted Budget	\$ 553,539,649	\$ 646,306,522	\$ 660,873,043	2.3%

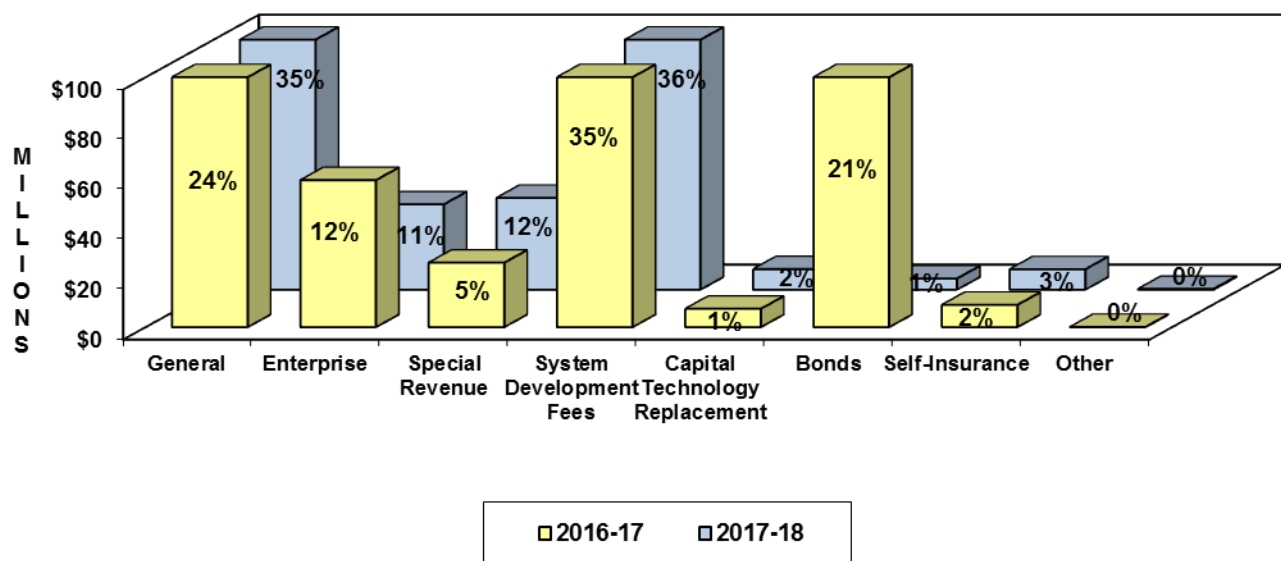


Appropriated Fund Balances

Fund Balances represent the difference between revenues and expenditures for each fund. Fund Balances are resources that are carried forward from the prior fiscal year and can be used for expenditures within that fund. The significant variation in the use of Bonds Fund Balance is due to the practice of issuing bonds every other year. Fund balance appropriated (available to spend) for the fiscal year is as follows:

	2016-17 Adopted Budget	2017-18 Adopted Budget	% Change Adopted to Adopted
General	\$ 111,655,410	\$ 109,453,812	(2.0%)
Enterprise	58,814,233	34,105,812	(42.0%)
Special Revenue	25,770,322	36,713,434	42.5%
System Development Fees	167,697,097	113,314,568	(32.4%)
Capital/Technology Replacement	7,312,213	8,200,070	12.1%
Bonds	103,274,701	4,446,979	(95.7%)
Self-Insurance	8,882,612	8,142,303	(8.3%)
Other	95,307	283,807	197.8%
Total	\$ 483,501,895	\$ 314,660,785	(34.9%)

Fund Balance Comparison 2016-17 and 2017-18
(with percentage of total by year)



Sale of Bonds

Bonds are a mechanism used to finance various public infrastructure projects. General Obligation, Highway User Revenue, and Utility Revenue Bonds all require voter approval, with the available authorization summarized in the second table. The revenue source used for the interest payments and repayment of the bond principal is determined by the type of bond sold. The City's current plan is to sell bonds to fund capital projects every other year, when needed. In addition to new debt issuances, the City evaluates refunding and redemption opportunities on a continuous basis. Refunding issues do not require voter approval but are approved by the City Council.

	2016-17 Adopted Budget	2017-18 Adopted Budget	% Change Adopted to Adopted
Streets	\$ -	\$ 30,000,000	N/A
Stormwater/Sewer	-	40,000	N/A
Parks	-	2,675,000	N/A
Museum	-	6,600,000	N/A
Police	-	11,040,000	N/A
Fire, Health & Medical	-	10,371,000	N/A
Water	-	35,500,000	N/A
Wastewater	-	30,000,000	N/A
Total	\$ -	\$ 126,226,000	N/A

Type of Voter Approved Debt	Available	Bond Sales Anticipated in FY 2017-18
Parks and Recreation	\$ 58,750,000	\$ 2,675,000
Museum	12,730,000	6,600,000
Library	5,245,000	-
Public Buildings	9,960,000	-
Streets	125,926,000	30,000,000
Stormwater	4,204,000	40,000
Public Safety - Fire	10,371,000	10,371,000
Public Safety - Police	12,730,000	11,040,000
Airport	494,000	-
Landfill	4,935,000	-
Total:	\$ 245,345,000	\$ 60,726,000

Other Debt*	Available	Sales Anticipated in FY 2017-18
Water	N/A	\$ 35,500,000
Wastewater	N/A	30,000,000
Total:	N/A	\$ 65,500,000

* Other Debt includes Excise Tax Revenue Obligation debt that does not require voter approval, and may be authorized by Council as described in the City's Debt Management policy incorporated into the Budget Policies, Process and Decisions section of the Budget document. When used to fund Water or Wastewater capital projects, the debt service is backed by General Fund excise tax revenues, but paid by dedicated Water and Wastewater user fees.

Grants

This funding source includes federal, state, and local grants for both operating and capital purposes. Grants provide the City with opportunities to enhance or provide services to the citizens of Chandler. Although the City does not receive every grant applied for, appropriation must be sufficient to ensure that the budget authorization capacity exists to allow for expenditure of any awards received during the fiscal year. Grant appropriation will not be expended unless prior authorization of the grant award is received from the granting agency.

Grants Categorical Comparison

	2015-16 Actual Revenue	2016-17 Adopted Budget	2017-18 Adopted Budget	% Change Adopted to Adopted
Community Services	\$ 82,534	\$ 120,092	\$ -	N/A
Housing & Community Development	9,768,947	15,564,643	14,132,923	(9.2%)
Public Safety	1,427,565	4,199,148	66,324	(98.4%)
Other Grants ⁽¹⁾	523,013	1,275,451	17,900	(98.6%)
Non-Departmental ⁽²⁾	-	-	4,889,776	N/A
Operating Grants Subtotal	\$ 11,802,059	\$ 21,159,334	\$ 19,106,923	(9.7%)
Community Services	\$ 28,805	\$ -	\$ -	N/A
Transportation & Development	10,214,258	11,871,507	4,708,779	(60.3%)
Other Grants ⁽¹⁾	1,013,056	2,652,481	600,000	(77.4%)
Capital Grants Subtotal	\$ 11,256,119	\$ 14,523,988	\$ 5,308,779	(63.4%)
Total Grants	\$ 23,058,178	\$ 35,683,322	\$ 24,415,702	(31.6%)
Carryforward from Prior Years	\$ -	\$ 14,682,474	\$ 24,752,048	68.6%
Total Grant Appropriation	\$ 23,058,178	\$ 50,365,796	\$ 49,167,750	(2.4%)

⁽¹⁾ Other Grants includes Airport, City Manager, City Magistrate, Communications and Public Affairs, Economic Development, Law, and Municipal Utilities, when applicable.

⁽²⁾ Effective July 1, 2017, the Adopted Budget for general operating Grants (Fund 217 only) will be in the Non-departmental cost center, rather than in department budgets. Expenditures will continue to occur within the Department and the budget will be adjusted accordingly. The exception to this is position specific funding. This change is intended to improve the management of grants by keeping the grant budgets out of cost center budgets until the notification of grant award is officially received by the City.

Summary of Revenues

Revenues were projected for the Fiscal Year (FY) 2017-18 budget by taking multiple factors into consideration including direct source information, economic conditions, past trends, anticipated future trends, and FY 2016-17 estimated revenues.

	2014-15 Actual Revenue	2015-16 Actual Revenue	2016-17 Adopted Revenue	2016-17 Revised Revenue	2017-18 Adopted Revenue	% Change Adopted to Adopted	% of Total
Local Taxes and License	\$ 110,731,998	\$ 114,419,049	\$ 110,025,800	\$ 122,218,200	\$ 122,552,800	11.4%	26.1%
Franchise Fees	3,289,168	3,333,938	3,275,000	3,334,000	3,334,000	1.8%	0.7%
Transaction Privilege License Tax	105,890,913	109,553,439	105,346,800	117,801,800	117,806,800	11.8%	25.1%
Other Licenses	1,551,918	1,531,673	1,404,000	1,082,400	1,412,000	0.6%	0.3%
State/County Shared Revenue	84,684,888	82,828,054	77,977,071	82,676,675	85,533,000	9.7%	18.2%
State Shared Sales Tax	21,597,535	22,471,132	23,407,000	23,500,000	24,351,740	4.0%	5.2%
Vehicle License Tax	9,030,329	9,787,691	9,500,000	10,140,100	10,444,300	9.9%	2.2%
Highway Users Tax	14,633,470	15,303,635	14,000,000	16,035,200	16,000,000	14.3%	3.4%
Regional Transportation Sales Tax ⁽¹⁾	10,106,891	6,100,475	377,250	359,075	1,300,000	244.6%	0.3%
Urban Revenue Sharing	28,608,724	28,453,619	30,000,000	31,930,800	32,736,960	9.1%	7.0%
Lottery Entitlement	707,939	711,502	692,821	711,500	700,000	1.0%	0.1%
Charges for Services	17,423,493	19,567,814	17,720,357	18,891,200	17,436,400	(1.6%)	3.7%
Engineering Fees	1,886,770	1,539,549	1,510,000	1,303,800	1,374,300	(9.0%)	0.3%
Building Division Fees	5,441,749	6,877,969	5,130,000	6,179,100	5,980,000	16.6%	1.3%
Planning Fees	409,615	390,185	417,200	390,200	390,000	(6.5%)	0.1%
Public Safety Miscellaneous	6,273,457	6,849,055	7,031,300	7,171,500	5,821,000	(17.2%)	1.2%
Library Revenues	432,529	414,698	406,000	405,400	410,800	1.2%	0.1%
Parks and Recreation Fees	2,979,373	3,496,358	3,225,857	3,441,200	3,460,300	7.3%	0.7%
Miscellaneous Receipts	22,115,078	28,332,573	20,701,483	19,864,480	20,921,342	1.1%	4.5%
Sale of Fixed Assets ⁽²⁾	280,171	9,120,821	680,000	676,660	350,000	(48.5%)	0.1%
Other Receipts ⁽³⁾	13,828,525	10,670,517	10,547,938	9,650,766	8,035,342	(23.8%)	1.7%
Interest on Investments	3,321,096	4,147,880	4,947,900	5,537,500	8,595,900	73.7%	1.8%
Leases	1,342,697	1,571,699	1,284,745	1,321,554	802,400	(37.5%)	0.2%
Court Fines	3,342,588	2,821,657	3,240,900	2,678,000	3,137,700	(3.2%)	0.7%
Enterprise Revenue	116,147,252	116,934,767	120,442,360	111,923,489	124,548,188	3.4%	26.5%
Water Sales	47,193,618	49,043,607	48,500,000	47,080,000	49,700,000	2.5%	10.6%
Wastewater Service ⁽⁴⁾	45,355,456	50,303,851	52,988,672	45,810,113	54,765,926	3.4%	11.7%
Reclaimed Water Fees ⁽⁵⁾	-	-	1,700,000	1,800,000	1,900,700	11.8%	0.4%
Solid Waste Service	13,879,263	14,526,750	14,648,990	15,010,813	15,347,234	4.8%	3.3%
Solid Waste Container Fees ⁽⁶⁾	71,706	-	-	-	-	N/A	0.0%
Other Utility Charges ⁽⁷⁾	9,297,466	2,791,892	2,243,148	2,009,563	2,617,128	16.7%	0.6%
Airport Fuel Sales	349,743	268,668	361,550	213,000	217,200	(39.9%)	0.0%
System Development Fees	27,494,860	41,684,197	47,010,700	35,609,149	38,002,800	(19.2%)	8.1%
Water	7,861,625	11,677,322	11,936,100	10,945,049	11,342,300	(5.0%)	2.4%
Wastewater	9,047,613	13,789,872	14,028,900	12,440,700	13,316,500	(5.1%)	2.8%
General Government Impact Fees	10,585,622	16,217,003	21,045,700	12,223,400	13,344,000	(36.6%)	2.8%
Interfund Charges	26,844,868	27,477,409	28,211,599	26,661,019	29,499,380	4.6%	6.3%
Property Tax	28,744,684	29,237,607	29,976,020	28,592,000	30,749,600	2.6%	6.6%
Total Revenue	\$ 434,187,121	\$ 460,481,470	\$ 452,065,390	\$ 446,436,212	\$ 469,243,510	3.8%	100.0%

⁽¹⁾ The Regional Transportation Sales Tax reported under the State/County Shared Revenue category varies from year to year based upon the Maricopa Association of Governments Arterial Life Cycle Program.

⁽²⁾ The FY 2015-16 Actual amount includes over \$8 million for the sale of a parcel of land owned by the City's water and wastewater utilities.

⁽³⁾ This category includes reimbursement revenue for a utility plant expansion in which Intel Corporation will reimburse the City for a portion of these costs. Amounts reported include reimbursements of \$7,211,405 in FY 2014-15 Actual Revenue, \$2,750,107 in FY 2015-16 Actual Revenue, \$2,534,358 in FY 2016-17 Adopted Revenue (including carryforward appropriation), \$2,293,339 in FY 2016-17 Revised Revenue, and no appropriation in FY 2017-18 Adopted Revenue.

⁽⁴⁾ This category includes revenue from Intel Corporation's reimbursement for operation of the Ocotillo Brine Reduction Facility. Amounts reported include reimbursements of \$5,177,206 in FY 2014-15 Actual Revenue, \$5,854,857 in FY 2015-16 Actual Revenue, \$12,488,672 in FY 2016-17 Adopted Revenue, \$6,940,113 in FY 2016-17 Revised Revenue, and \$11,565,926 in FY 2017-18 Adopted Revenue.

⁽⁵⁾ A new Reclaimed Water Fund is created in FY 2016-17, with Reclaimed Water Fees reported effective with 2016-17 Adopted Revenue.

⁽⁶⁾ Effective FY 2015-16, this revenue will be reported as part of Other Utility Charges.

⁽⁷⁾ The FY 2014-15 Actual amount includes \$8 million in water purchase revenue received from Intel Corporation.

Significant Revenues

Local Taxes and Licenses

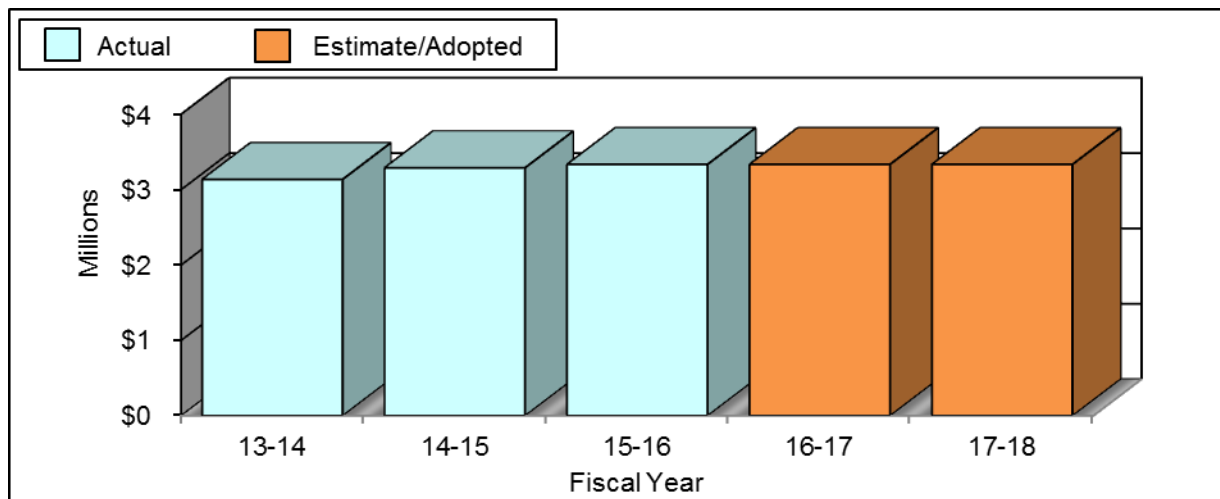
SOURCE: Franchise Fees

Summary: Franchise fees paid by Arizona Public Service, Air Products, Southwest Gas Corporation, Cox Communications, CenturyLink, and Western Broadband are based upon agreements entered into between City Council and the individual corporations. Arizona Public Service pays two percent of gross receipts from the sale of electric energy at retail for residential and commercial purposes. Air Products pays two percent of gross annual sales of nitrogen gas. Southwest Gas Corporation pays two percent of gross receipts from the sale of gas at retail for residential, industrial, and commercial purposes. Cox Communications, CenturyLink, and Western Broadband pay five percent of gross revenue. This revenue may be expended for any municipal public purpose.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. The Franchise fees paid to the City have remained stable. The FY 2016-17 year-end estimate is an eight month actual and four month projection, which reflects anticipated collections under the agreements.

Projection: The FY 2017-18 adopted budget is based upon specific industry projections and normal receipt of franchise payments, unchanged from the FY 2016-17 year-end estimate.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 3,134,488	7.1
2014-15	3,289,168	4.9
2015-16	3,333,938	1.4
2016-17 (Year-End Estimate)	3,334,000	1.4
2017-18 (Adopted)	3,334,000	-



Source: Transaction Privilege (Sales) and Use Tax

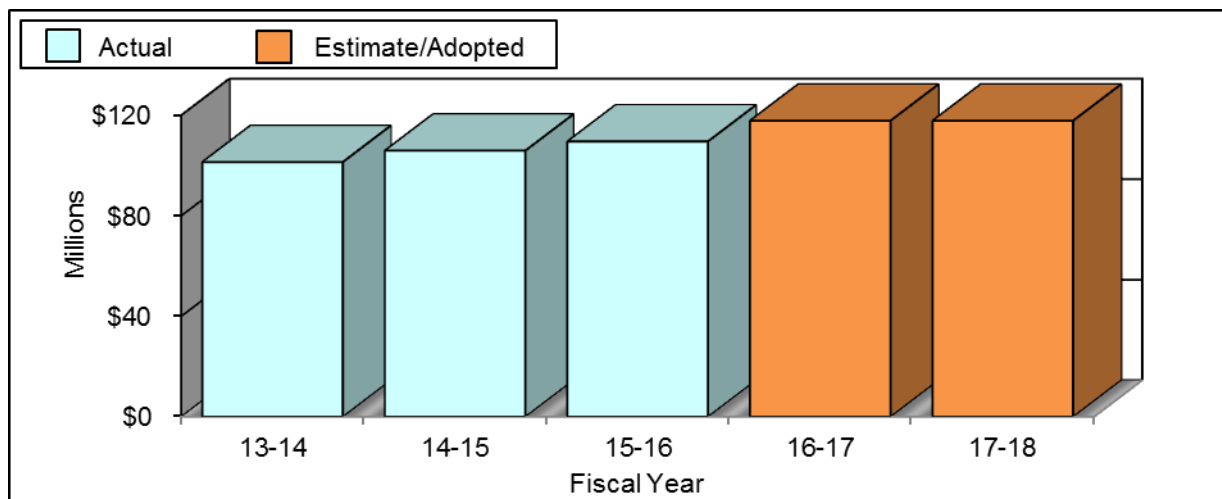
Summary: The Transaction Privilege (Sales) Tax (TPT) and Use Tax is obtained from a tax on the sale of goods and various business activities on the purchase price of any tangible personal property subject to use tax. It is calculated based on varying percentages of gross receipts from engaging in any of the defined privilege tax classifications, less allowed deductions, exemptions, and exclusions. This is the largest ongoing revenue source for the City of Chandler's General Fund. Economic activity, especially in the area of construction and retail sales, has a direct effect on collections. As a result, those areas are closely monitored for any major fluctuations. The majority of this revenue is received in the General Fund and may be expended for any municipal public purpose. The Airport Operating Fund receives a portion of Aviation Gas TPT, and may be expended only for the operation of the airport enterprise.

The City of Chandler administered the TPT and Licensing program (self-collected) up until it transitioned to the Arizona Department of Revenue (ADOR) beginning January 1, 2017.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. The FY 2016-17 year-end estimate is an eight month actual and four month projection reflecting a strong economy, with increases in almost all reporting categories as noted on the next page, led by retail, contracting, hotel/motel, and restaurant/bar.

Projection: Although there could be an impact to total collections as administration of TPT and Licensing transitions to ADOR, the FY 2017-18 adopted budget is very conservative. Consumers are anticipated to maintain a stable spending trend consistent with the rest of the economy.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$101,339,395	2.1
2014-15	105,890,913	4.5
2015-16	109,553,439	3.5
2016-17 (Year-End Estimate)	117,801,800	7.5
2017-18 (Adopted)	117,806,800	0.0



Transaction Privilege (Sales) and Use Tax

The following detail is presented to show by category the amount of Transaction Privilege (Sales) and Use Tax that has been collected in recent fiscal years, the adopted budget and revised estimate for the current year, and the adopted budget for the upcoming fiscal year. The Fiscal Year 2016-17 estimate is an eight month actual and four month projection. The subtotal on the following table agrees to the amounts reported on the prior page. All amounts shown are General Fund revenues, with the exception of the General Retail amounts generated by Aviation gas sales and recorded as revenue to the Airport Operating Fund. The Grand Total incorporates other General Fund revenues associated with Transaction Privilege (Sales) and Use Taxes that are reported within other revenue categories (Other Licenses and Other Receipts).

Category	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Adopted	2016-17 Revised	2017-18 Adopted	% chg Rev 2016-17 to 2017-18
Contracting ⁽¹⁾	\$ 9,780,645	\$ 8,870,092	\$ 8,855,057	\$ 8,500,000	\$ 9,500,000	\$ 9,500,000	0.0%
General Retail ⁽²⁾	47,384,617	49,729,135	51,180,771	49,200,000	55,000,000	55,000,000	0.0%
General Retail - To Airport ⁽³⁾	70,065	10,865	10,391	10,800	10,800	10,800	0.0%
Restaurant/Bar	9,542,714	10,188,718	10,752,479	9,900,000	11,700,000	11,700,000	0.0%
Utilities	12,421,526	13,194,526	13,786,741	15,000,000	15,500,000	15,504,000	0.0%
Telecommunications	3,533,636	3,435,949	3,234,369	3,500,000	3,100,000	3,100,000	0.0%
Rentals - Real	11,058,203	11,967,509	13,217,561	11,800,000	13,550,000	13,550,000	0.0%
Rentals - Personal	2,949,421	3,261,716	3,125,459	3,000,000	3,500,000	3,500,000	0.0%
Hotel/Motel	2,472,754	2,892,470	2,957,685	2,500,000	3,500,000	3,500,000	0.0%
Publishing/Other	258,547	260,712	248,433	250,000	180,000	176,000	(2.2%)
Amusements	728,110	895,730	1,019,939	750,000	900,000	900,000	0.0%
Use Tax	1,090,428	1,145,534	1,127,257	900,000	1,320,000	1,320,000	0.0%
Privilege Tax Interest	37,768	26,996	26,416	25,000	30,000	35,000	16.7%
Excise Tax Refunds	10,961	10,961	10,879	11,000	11,000	11,000	0.0%
Subtotal	\$ 101,339,395	\$ 105,890,913	\$ 109,553,437	\$ 105,346,800	\$ 117,801,800	\$ 117,806,800	0.0%
License Fees ⁽⁴⁾	\$ 1,024,394	\$ 962,637	\$ 936,711	\$ 830,000	\$ 500,000	\$ 830,000	66.0%
Audit Assessments ⁽⁴⁾	1,306,392	1,503,731	1,498,640	1,000,000	1,500,000	1,500,000	0.0%
Privilege License Penalties ⁽⁴⁾	291,647	321,675	283,363	225,000	250,000	255,000	2.0%
Grand Total	\$ 103,961,828	\$ 108,678,956	\$ 112,272,151	\$ 107,401,800	\$ 120,051,800	\$ 120,391,800	0.3%

⁽¹⁾ Contracting includes sales tax collections on all construction activity.

⁽²⁾ General Retail includes Car and Truck, Grocery Stores, Drug, and Liquor Stores.

⁽³⁾ Revenue generated from taxes on Airport Gas sales. The 2013-14 Actual amount includes revenues from six prior years to adjust for taxes to be posted directly to the Airport Operating Fund. All other values reflect anticipated revenues for a single year.

⁽⁴⁾ Also associated with Transaction Privilege (Sales) and Use Tax, but License Fees are reported in the Other Licenses portion of the Resources section, and Audit Assessments and License Penalties are reported in the Other Receipts portion of the Resources section.

Source: Other Licenses

Summary: Revenue from Other Licenses is comprised of the nine categories of licenses detailed below, accompanied by the Fiscal Year (FY) 2017-18 adopted budget for each category:

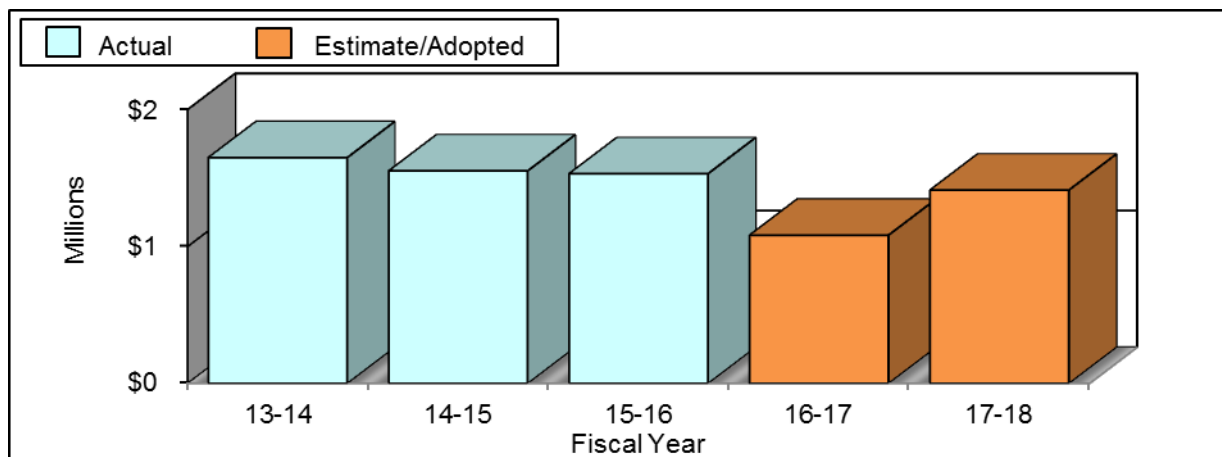
• License Fees	\$830,000	• Peddlers and Vendors Licenses	\$8,000
• Alcoholic Beverage Licenses	300,000	• Second Hand and Junk Licenses	8,000
• Wireless Communication Leases	132,000	• Professional & Occupation Licenses	5,000
• Alarm Permits	107,000	• Mobile Food Unit License	4,000
• Amusement Licenses	15,000	• Cable License Applications	3,000

This revenue may be expended for any municipal public purpose.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. The FY 2016-17 year-end estimate is an eight month actual and four month projection based on historical trends, and reflects decreased privilege license fees due to the transition of Transaction Privilege Tax and Licensing administration from the City to the Arizona Department of Revenue (ADOR). ADOR only requires licenses from taxable entities, although the City previously licensed all business (i.e., retail and professional services).

Projection: The FY 2017-18 adopted budget reflects revenue from the potential City implementation of a Business Registration, which would be cost neutral for businesses. Also a slight increase in wireless communication leases is anticipated.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 1,648,998	3.3
2014-15	1,551,918	(5.9)
2015-16	1,531,673	(1.3)
2016-17 (Year-End Estimate)	1,082,400	(29.3)
2017-18 (Adopted)	1,412,000	30.5



State/County Shared Revenues

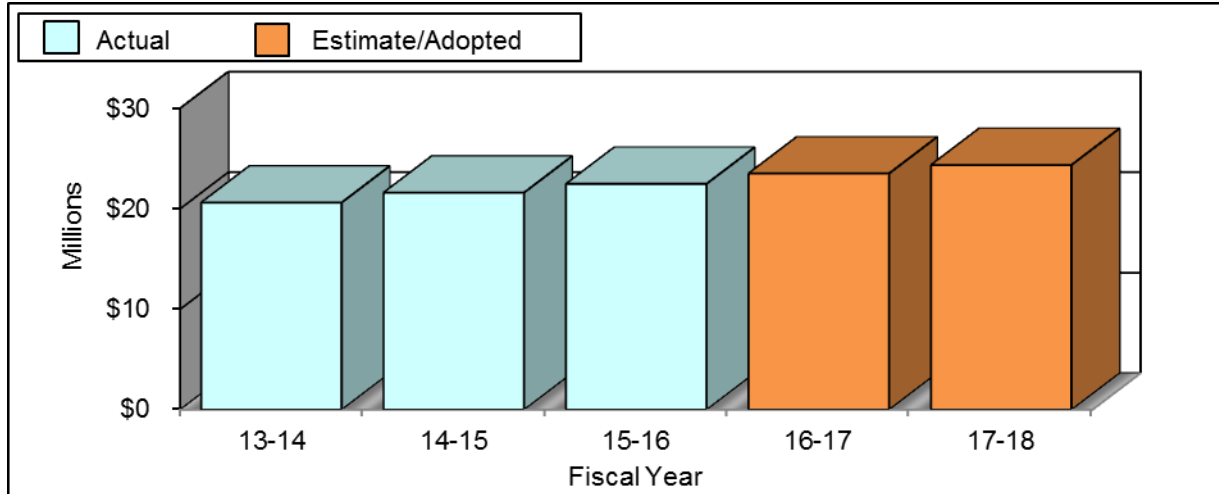
Source: State Shared Sales Tax

Summary: The State sales tax rate is currently 5.6%, of which a portion of the various categories of sales tax are distributed to cities and towns based on population on a monthly basis. This revenue may be expended for any municipal public purpose.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. The years shown reflect the slow but steady recovery in the years following the economic downturn. The Fiscal Year (FY) 2016-17 year-end estimate is an eight month actual and four month projection based on historical trends.

Projection: The FY 2017-18 adopted budget is based on historical analysis and information from both the League of Arizona Cities and Towns and the Arizona Department of Revenue. This estimate reflects the impact of the Mid-Decade Census figures and new legislation regarding population used for distribution of state shared revenues. The State of Arizona has shown positive growth in the last four years which is reflected in the steady growth in revenues for State Shared Sales Tax and the anticipated FY 2017-18 increase.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 20,604,292	6.6
2014-15	21,597,535	4.8
2015-16	22,471,132	4.0
2016-17 (Year-End Estimate)	23,500,000	4.6
2017-18 (Adopted)	24,351,740	3.6



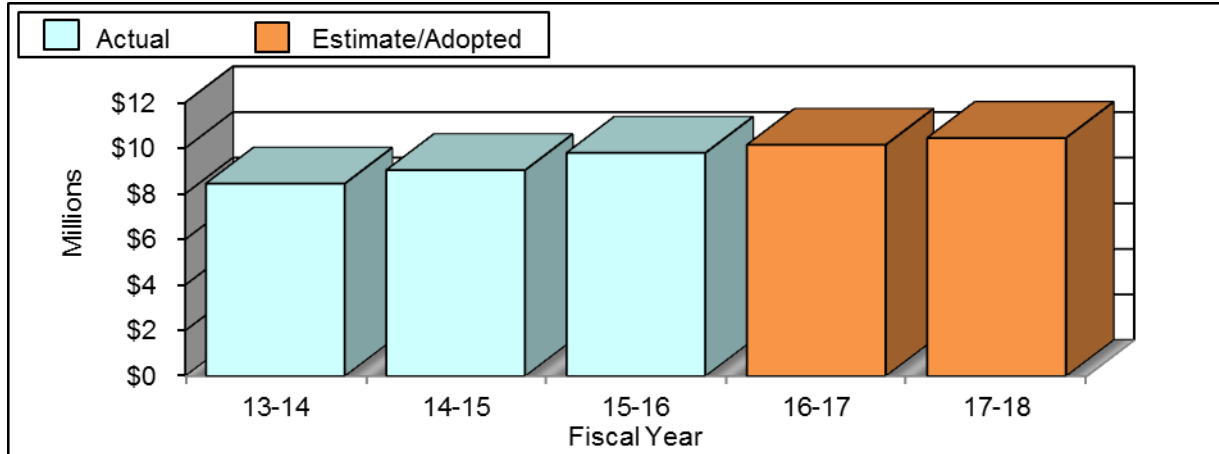
Source: Vehicle License Tax

Summary: This State shared tax is distributed through each County Treasurer's Office on a bi-monthly basis. Cities and towns receive 24.6% of the net revenues collected for vehicle licensing on most vehicles registered within their county and a portion of rental vehicle surcharges. The respective shares are determined by the proportion of their population to total incorporated population of the county. This revenue may be expended for any municipal public purpose.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. Results since Fiscal Year (FY) 2013-14 reflect the recovery from the economic downturn. The FY 2016-17 year-end estimate is an eight month actual and four month projection based on historical trends.

Projection: The FY 2017-18 adopted budget is based on information from both the League of Arizona Cities and Towns and the Arizona Department of Revenue. This estimate reflects the impact of updated census estimates and new legislation regarding population used for distribution of state shared revenues. The State of Arizona has shown positive growth in the last four years which is reflected in the steady growth in revenues for Vehicle License Tax and the anticipated FY 2017-18 increase.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 8,440,066	6.8
2014-15	9,030,329	7.0
2015-16	9,787,691	8.4
2016-17 (Year-End Estimate)	10,140,100	3.6
2017-18 (Adopted)	10,444,300	3.0



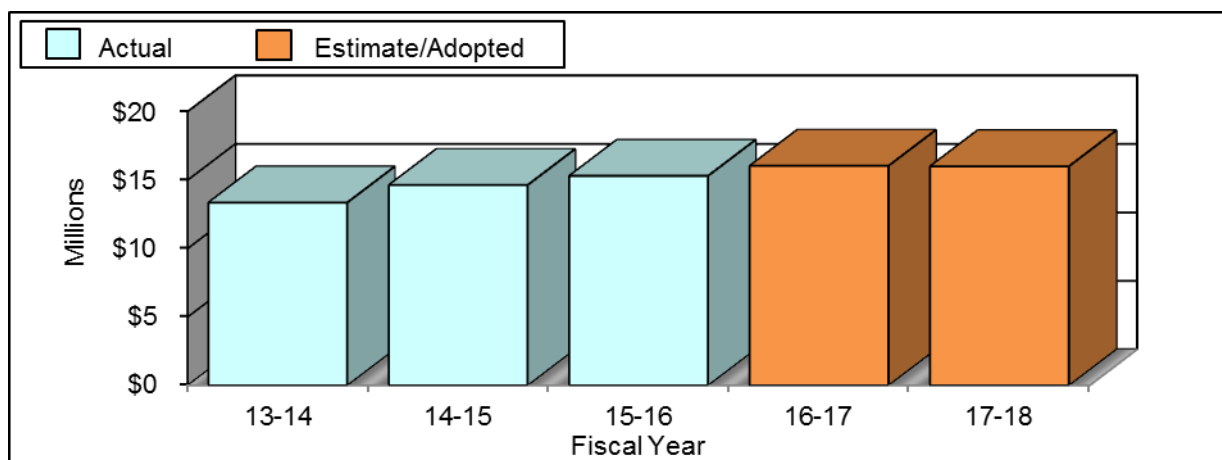
Source: Highway Users Tax

Summary: The State gas tax is currently levied at a rate of \$0.18 per gallon and is distributed to cities and towns using two formulas. Of the \$0.18 per gallon, \$0.13 is placed in the Highway User Revenue Fund (HURF). Cities and towns receive 27.5% of these revenues. One-half of this allocation is distributed on the basis of the municipality's population in relation to the population of all incorporated cities and towns in the State. The remaining half is allocated on the basis of "county of origin" of gasoline sales and the proportion of the municipality's population to the population of all incorporated cities and towns in the county. In addition to this revenue, cities and towns receive a share of a \$0.03 per gallon tax that is distributed as part of the monthly highway user revenue monies. This revenue must be expended solely on street and highway maintenance and construction projects within the City.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. The Fiscal Year (FY) 2016-17 year-end estimate is an eight month actual and four month projection based on historical trends. FY 2016-17 also includes a one-time distribution of State General Fund dollars to HURF distributions, which resulted in receipt of an additional \$635,000.

Projection: The FY 2017-18 adopted budget is based on projections provided by both the League of Arizona Cities and Towns and Arizona Department of Revenue. This estimate reflects the impact of updated census estimates and new legislation regarding population used for distribution of state shared revenues. The legislature has not attempted to further divert additional HURF monies to other state agencies in this legislative session and left distribution formulas the same as the previous year.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 13,352,622	3.3
2014-15	14,633,470	9.6
2015-16	15,303,635	4.6
2016-17 (Year-End Estimate)	16,035,200	4.8
2017-18 (Adopted)	16,000,000	(0.2)



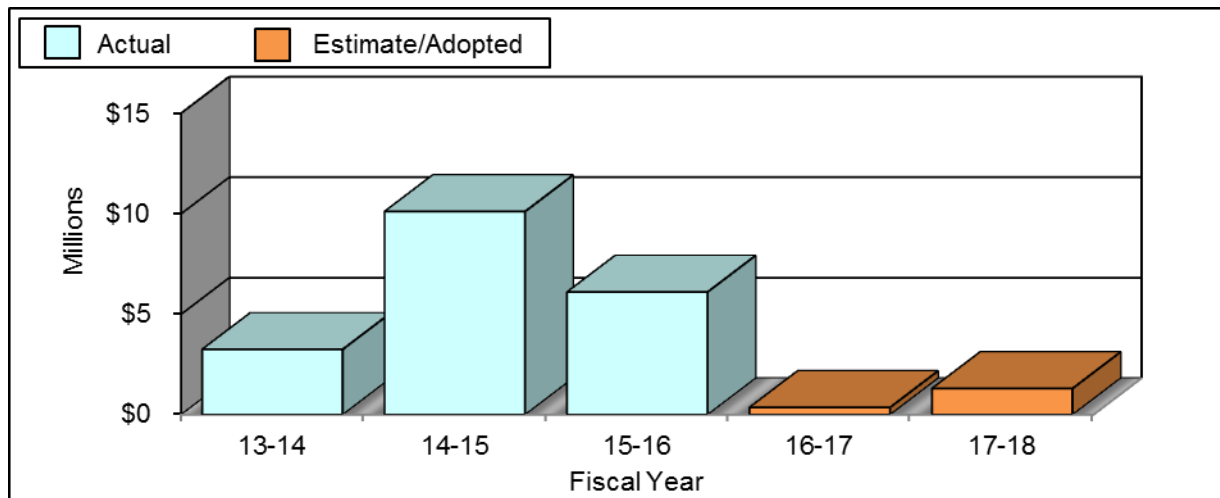
Source: Regional Transportation (Sales) Tax

Summary: On November 2, 2004, Maricopa County voters approved Proposition 400, which extends the one-half cent sales tax for another 20 years through December 31, 2025. Funds from the sales tax extension will be used for construction of new freeways, widening of existing freeways and highways, improvements to the arterial street system, regional bus service and other special transportation services, and high capacity transit services such as light rail, bus rapid transit, and express buses. The Arizona Department of Transportation (ADOT) administers freeway revenue, the Maricopa Association of Governments administers arterial streets revenue, and Valley Metro and Valley Metro Rail administer public transportation revenue. This arterial street revenue is dedicated for reimbursement of construction or street and highway projects within the City.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. The amounts received in any given year reflect the contributions as programmed by the Maricopa Association of Governments Arterial Life Cycle Program (ALCP) and are not fixed amounts per year. The Fiscal Year (FY) 2016-17 year-end estimate is an eight month actual and four month projection based on the published ALCP schedule.

Projection: The FY 2017-18 adopted budget is based on planned construction of arterial street and intersection projects scheduled for reimbursement in the ALCP this year. Because of past success in acceleration of planned reimbursements, there is a relatively small amount projected for FY 2017-18. Advanced reimbursements are possible, which could add to the amount estimated.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 3,243,937	(48.5)
2014-15	10,106,891	211.6
2015-16	6,100,475	(39.6)
2016-17 (Year-End Estimate)	359,075	(94.1)
2017-18 (Adopted)	1,300,000	262.0



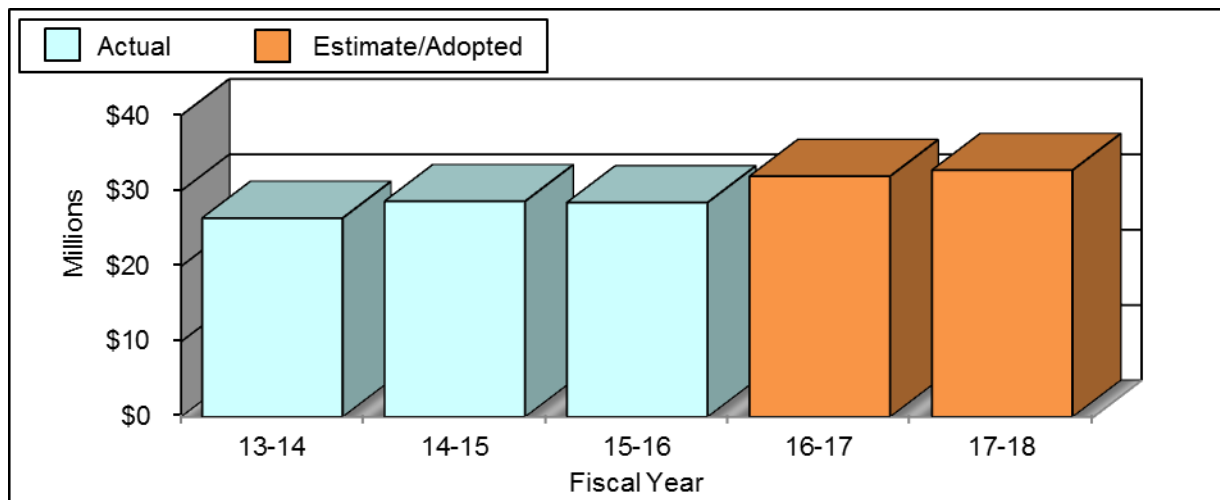
Source: Urban Revenue Sharing

Summary: This State shared revenue is the City's share of state income tax receipts. An amount equivalent to 15% of the net proceeds of state income taxes for the fiscal year two years prior to the current fiscal year is paid to the various incorporated municipalities in proportion to their population. This revenue may be expended for any municipal public purpose.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. Because of the timing of income earned by corporations and individuals, payment of taxes on that income in the following years, and time needed for the State to complete the distribution of the Urban Revenue Sharing, it takes about two years for changes in the economy to be reflected in City revenues. The FY 2016-17 year-end estimate is an eight month actual and four month projection reflecting the annual distribution amount determined by the State, and is based on income tax the State has already collected for tax year 2014 as well as the impact of the Mid-Decade Census.

Projection: The FY 2017-18 adopted budget is based on information from both the League of Arizona Cities and Towns and the Arizona Department of Revenue. This estimate reflects the impact of updated census estimates and new legislation regarding population used for distribution of state shared revenues. The State of Arizona has generated positive growth since the economic downturn, which is reflected in the steady growth in revenues for Urban Revenue Sharing and the anticipated FY 2017-18 increase.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 26,379,401	9.4
2014-15	28,608,724	8.5
2015-16	28,453,619	(0.5)
2016-17 (Year-End Estimate)	31,930,800	12.2
2017-18 (Adopted)	32,736,960	2.5



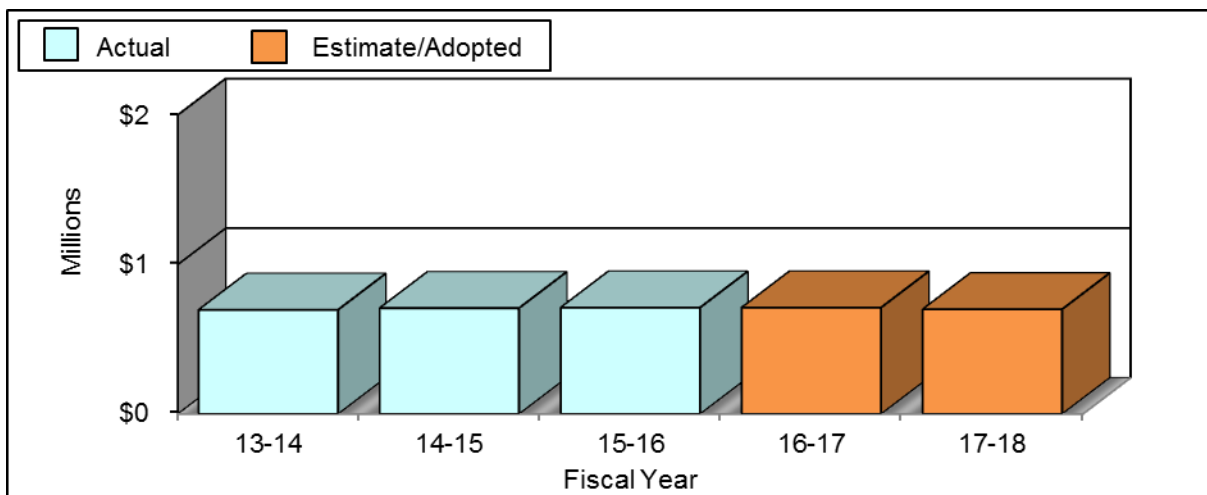
Source: Lottery Entitlement

Summary: Distribution of state lottery monies to the City began in January 1982 through the Local Transportation Assistance Fund (LTAF), but monthly distributions were discontinued by the State during Fiscal Year (FY) 2009-10. Amounts remaining in fund balance may be expended for construction or reconstruction of streets and highway projects in the public right-of-way. Since FY 2010-11, the State has distributed annual one-time Arizona Lottery Fund (ALF) distributions to cities and towns based upon an annual application from the City. This revenue may be expended for any municipal transit purpose, including fixed route operations.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. The FY 2016-17 year-end estimate is an eight month actual and four month projection based on historical trends.

Projection: The FY 2017-18 adopted budget is based on projections provided by the Regional Public Transportation Authority.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 696,693	0.3
2014-15	707,939	1.6
2015-16	711,502	0.5
2016-17 (Year-End Estimate)	711,500	(0.0)
2017-18 (Adopted)	700,000	(1.6)



Charges for Services

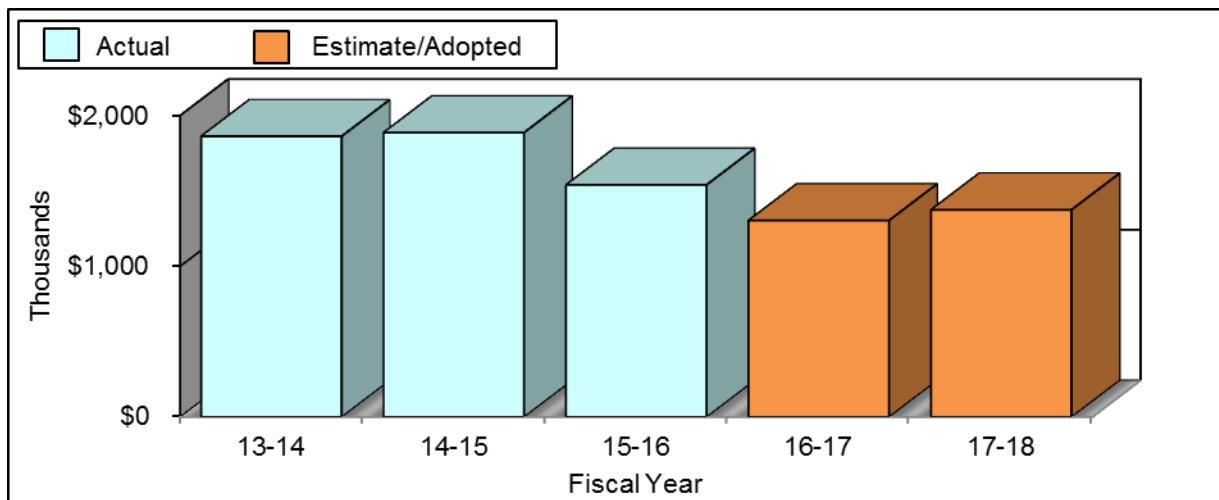
Source: Engineering Fees

Summary: Engineering Fees are derived from plan review fees, off-site inspection fees, encroachment permits, and fiber optic permits. Most of these revenues are a function of development, and offset the cost of inspection and staff for oversight of private development offsite construction. Fees are also imposed to offset the City's cost for plan reviews. This revenue may be expended for any municipal public purpose.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. Fiscal Year (FY) 2015-16 reductions were experienced in all Engineering Fee categories. The FY 2016-17 year-end estimate is an eight month actual and four month projection reflecting decreases in all fee categories.

Projection: The FY 2017-18 adopted budget reflects a slight increase in civil engineering plan review.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 1,861,969	24.6
2014-15	1,886,770	1.3
2015-16	1,539,549	(18.4)
2016-17 (Year-End Estimate)	1,303,800	(15.3)
2017-18 (Adopted)	1,374,300	5.4



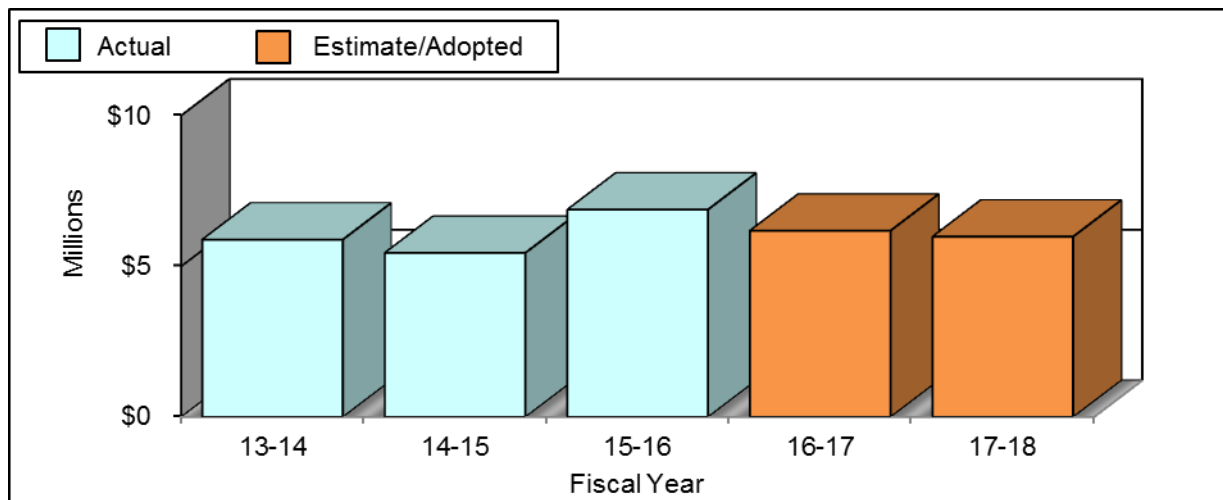
Source: Building Division Fees

Summary: Building Division Fees are calculated based on a formula using construction costs and square footage, and include building permits, building inspection fees, and plan check fees. Fees imposed are used to offset the City's cost for review and inspections. This revenue may be expended for any municipal public purpose.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. The fluctuations result from both economic activity and the type of construction. Fiscal Year (FY) 2014-15 reflects decreases in building permits and building plan review fees, but FY 2015-16 reflects a significant increase in building permits. The FY 2016-17 year-end estimate is an eight month actual and four month projection based on anticipated building permit revenue tied to development activity.

Projection: The FY 2017-18 adopted budget reflects slightly lower levels of building permits and building plan review fees.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 5,881,832	7.9
2014-15	5,441,749	(7.5)
2015-16	6,877,969	26.4
2016-17 (Year-End Estimate)	6,179,100	(10.2)
2017-18 (Adopted)	5,980,000	(3.2)



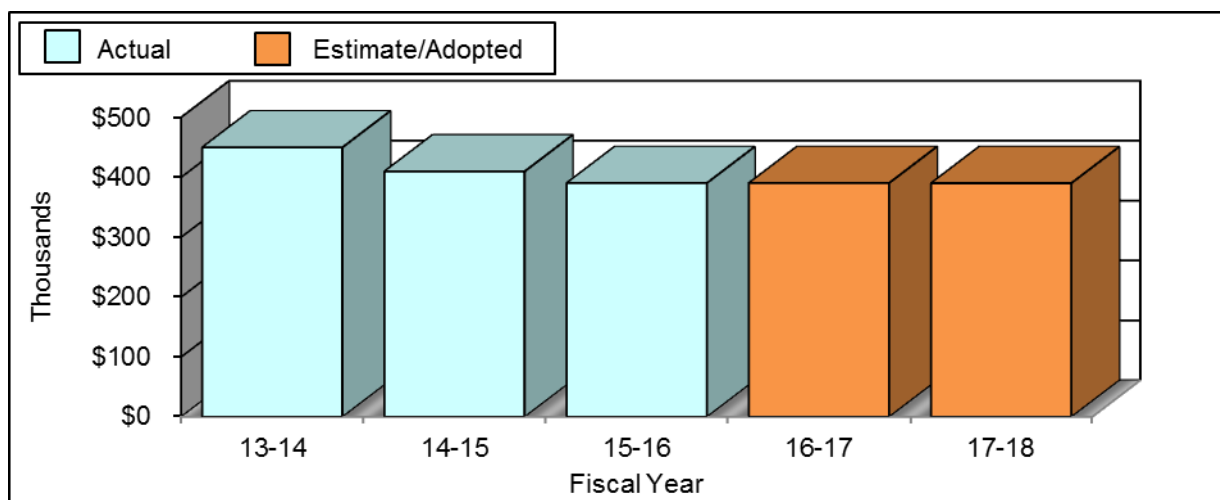
Source: Planning Fees

Summary: Planning Fees are derived from zoning and subdivision application fees, along with the sale of maps and codes. Fees imposed are used to offset the costs of legal notices, property-owner notification, printing, and other related City costs. This revenue may be expended for any municipal public purpose.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. Revenues generated from this source fluctuate based on rezoning applications submitted. Fiscal Year (FY) 2014-15 reflects decreased amounts of zoning and subdivision fees. FY 2015-16 reflects decreased site development plan review fees. The FY 2016-17 year-end estimate is an eight month actual and four month projection based on anticipated development projects.

Projection: The FY 2017-18 adopted budget reflects a steady level of revenue from development projects.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 449,711	16.5
2014-15	409,615	(8.9)
2015-16	390,185	(4.7)
2016-17 (Year-End Estimate)	390,200	0.0
2017-18 (Adopted)	390,000	(0.1)



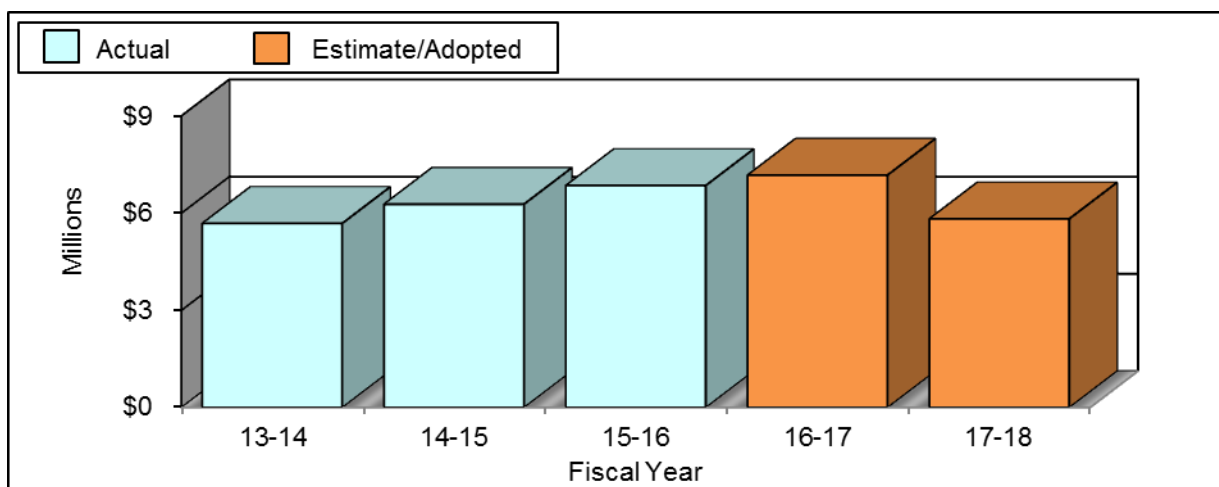
Source: Public Safety Miscellaneous

Summary: This source of revenue is derived from fees charged for copies of accident and police reports, fingerprinting fees, reimbursement from other agencies for outside services, extra-duty services rendered, hazardous materials permit fees, alarm penalties for exceeding the number of false alarm response calls allowed, weapons proceeds (restricted for public safety community outreach), and for school resource officers for Chandler, Kyrene, and Mesa (starting in Fiscal Year (FY) 2014-15) public schools located within City limits. Also included in this category are fire contractual services, reimbursement of costs for wildland firefighter participation, and fees for advanced life support and ambulance services. Police forfeiture funds are included in this category but are passed through the State or County Attorney General's Office on a reimbursement basis. Due to the nature of the forfeiture revenue, the amount received can fluctuate dramatically depending on illegal activities occurring in and around the community. Forfeiture fund usage is restricted for law enforcement purposes subject to legal requirements established at state and federal levels. Unless otherwise restricted, these revenues may be expended for any municipal purpose.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. Fiscal Year (FY) 2014-15 reflects the return of Mesa school resource officer revenue, as well as increased extra-duty services. FY 2015-16 reflects a higher level of asset forfeiture revenue reimbursement. The FY 2016-17 year-end estimate is an eight month actual and four month projection based on historical trends.

Projection: The FY 2017-18 adopted budget anticipates lower levels of asset forfeiture revenue reimbursement and ambulance service revenue.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 5,680,675	(12.9)
2014-15	6,273,457	10.4
2015-16	6,849,055	9.2
2016-17 (Year-End Estimate)	7,171,500	4.7
2017-18 (Adopted)	5,821,000	(18.8)



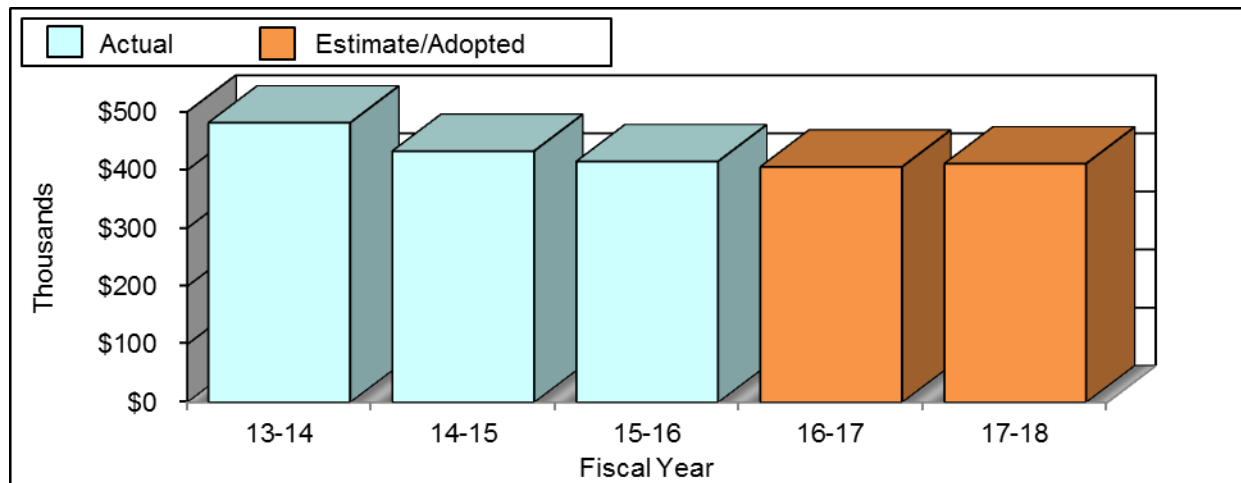
Source: Library Revenues

Summary: Library Revenues are derived from overdue fines of 20¢ per day per book, non-fiction video, and compact disc; overdue fines of \$1.00 per day per feature film and popular picks (discontinued during Fiscal Year (FY) 2014-15); replacement charges for lost materials; and annual charges to cardholders who live outside Maricopa County and do not work or attend school in Chandler. Also included in this category are revenues received under an Intergovernmental Agreement (IGA) with Chandler Unified School District (CUSD) for their share of operating costs for the Basha and Hamilton Branch Libraries. This revenue may be expended for any municipal public purpose.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. FY 2014-15 reflects the first full year with no Maricopa County Library District membership fees, since the final receipt was received in FY 2013-14. The FY 2016-17 year-end estimate is an eight month actual and four month projection based on historical trends.

Projection: The FY 2017-18 adopted budget reflects a slight increase in the amounts anticipated under the IGA with CUSD.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 481,209	(5.9)
2014-15	432,529	(10.1)
2015-16	414,698	(4.1)
2016-17 (Year-End Estimate)	405,400	(2.2)
2017-18 (Adopted)	410,800	1.3



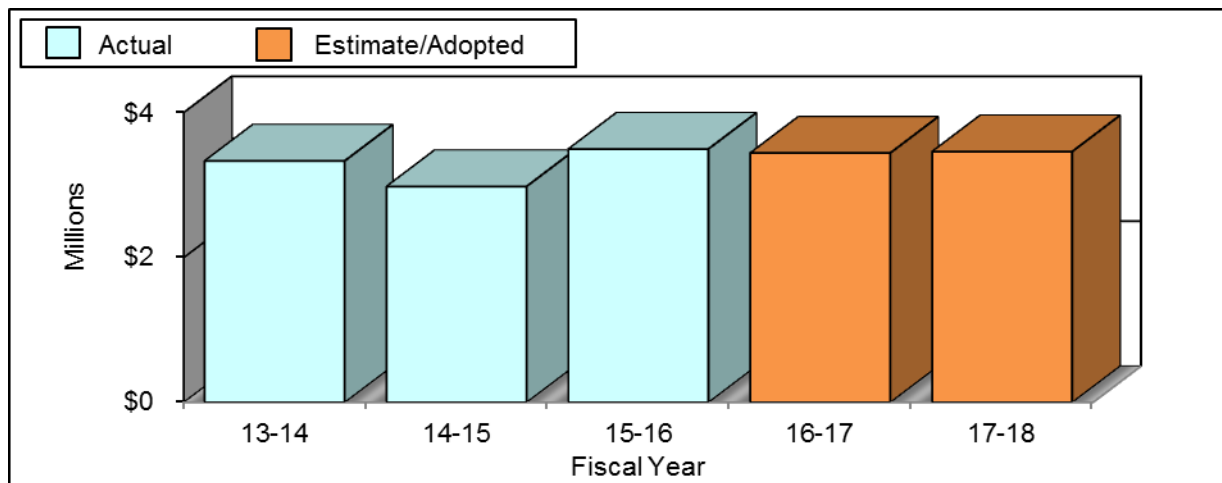
Source: Parks and Recreation Fees

Summary: Parks and Recreation Fees are comprised of swimming pool fees, concession sales, fitness passes, facility rentals, recreational program classes, adult sports leagues, pavilion rentals, ball field lights, and operation of the Bear Creek Golf Course, the Tumbleweed Recreation Center, and the Tumbleweed Tennis Center. This revenue may be expended for any municipal public purpose.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. The Fiscal Year (FY) 2014-15 decrease reflects reduced recreation revenues, as well as a timing difference in Bear Creek Golf Course receipts. FY 2015-16 reflects higher revenues from ball field rentals and revenues generated by Community Center programs. The FY 2016-17 year-end estimate is an eight month actual and four month projection based on historical trends.

Projection: The FY 2017-18 adopted budget anticipates slightly higher revenues from both Tumbleweed Recreation Center and Chandler Tennis Center.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 3,331,968	(1.6)
2014-15	2,979,373	(10.6)
2015-16	3,496,358	17.4
2016-17 (Year-End Estimate)	3,441,200	(1.6)
2017-18 (Adopted)	3,460,300	0.6



Miscellaneous Receipts

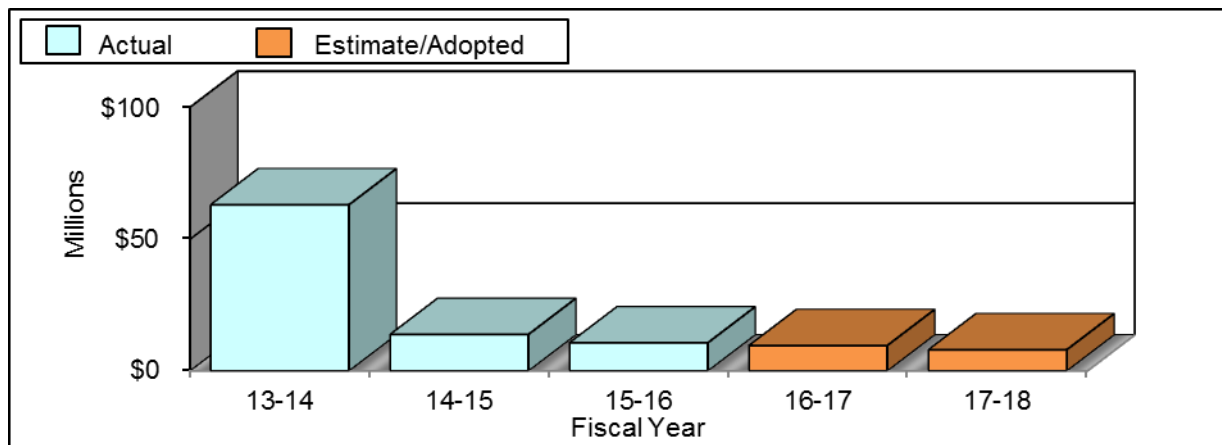
Source: Other Receipts

Summary: This revenue consists of audit assessments, workers compensation premiums, Cox Communication Cable contributions, bus service and shelter revenue, trust and agency funds, and miscellaneous revenue, including passport application processing fees, reimbursements for prior year expenses, and lump sum agreements for capital projects. Also included in this category is ticket sale revenue received from events held at the Center for the Arts, labor charges for these events, and revenue received under an Intergovernmental Agreement (IGA) with the Chandler Unified School District for their share of operating costs for the Center for the Arts. General Fund revenues comprise the majority of funds received, and may be expended for any municipal public purpose. Revenues received in funds other than the General Fund (such as workers' compensation premiums received in the Workers' Compensation Self-Insurance Fund) are restricted in use.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. Fiscal Years (FY) 2013-14 through FY 2016-17 reflect reimbursements received from Intel Corporation for utility infrastructure expansions. The FY 2016-17 year-end estimate is an eight month actual and four month projection based on historical trends and includes the remaining reimbursement from Intel Corporation for utility infrastructure expansions.

Projection: The FY 2017-18 adopted budget reflects a return to a normal level of activity for Other Receipts.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 62,987,183	(15.8)
2014-15	13,828,525	(78.0)
2015-16	10,670,517	(22.8)
2016-17 (Year-End Estimate)	9,650,766	(9.6)
2017-18 (Adopted)	8,035,342	(16.7)



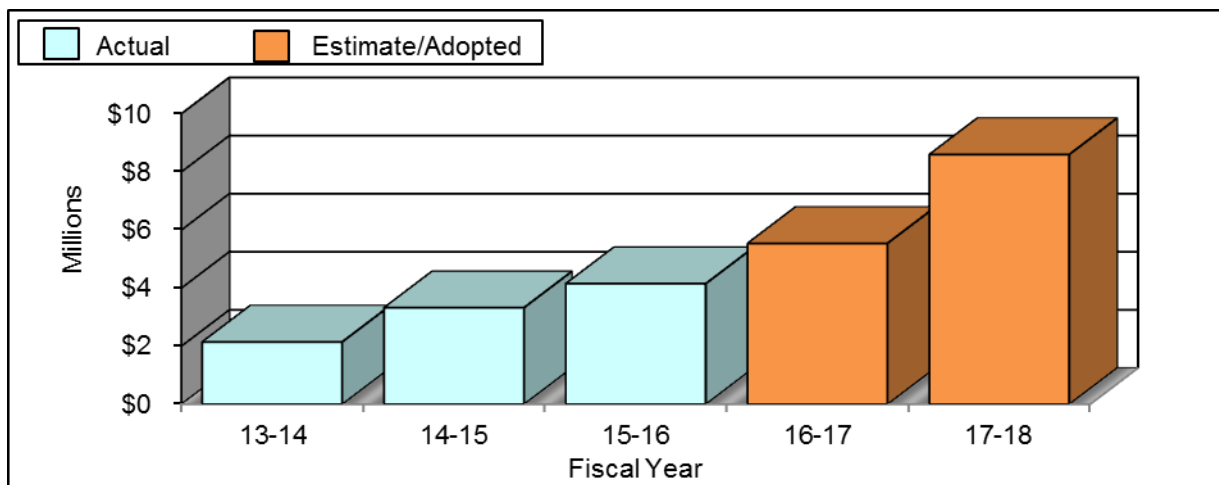
Source: Interest on Investments

Summary: Interest on investments is earned based on continuous investments of idle funds. Investments are restricted based on the City's Investment Policy, and include high grade, low risk items such as federal treasury or agency securities, repurchase agreements, corporates, certain public offerings, and fully collateralized time certificates of deposit which the City may invest in with local banks. The City is under contract with two investment managers, Wells Capital and PFM Asset Management, who in turn invest City funds in accordance with state statute and the City's Investment Policy. The majority of this revenue is received in the General Fund and may be expended for any municipal public purpose. Revenues received in funds other than the General Fund from interest earned on investing their idle funds are restricted in use as required by that fund.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. Significant increases or decreases are often attributable to the sale of bonds or completion of capital projects, which affect the balance of funds on which interest accrues. In recent years, interest rates have been significantly lower than historical averages, resulting in lower rates of return. Fiscal Year (FY) 2013-14 experienced a decline since the prior year included a recovery of FY 2002-03 investment losses of \$3.4 million from when the City was a participant in the State's Local Government Investment Pool (LGIP). FY 2014-15 reflects the City's entry into additional short-term investments in the Certificate of Deposit Account Registry Service (CDARS), as well as a change in accounting method, which also had a positive effect on FY 2015-16 revenues. The FY 2016-17 year-end estimate is an eight month actual and four month projection based on current rates of return along with the amount of idle funds invested.

Projection: The FY 2017-18 adopted budget is based on higher market rate projections from our investment advisors used in conjunction with the estimated amount of idle funds invested, as well as earnings on bond proceeds from the anticipated FY 2017-18 bond sales, which are invested and drawn down based on a spending schedule.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 2,144,102	(56.3)
2014-15	3,321,096	54.9
2015-16	4,147,880	24.9
2016-17 (Year-End Estimate)	5,537,500	33.5
2017-18 (Adopted)	8,595,900	55.2



Source: Leases

Summary: This revenue is comprised of leases at the Chandler Municipal Airport and other miscellaneous properties. The following listing of the various leases is accompanied by the Fiscal Year (FY) 2017-18 adopted budget for each category:

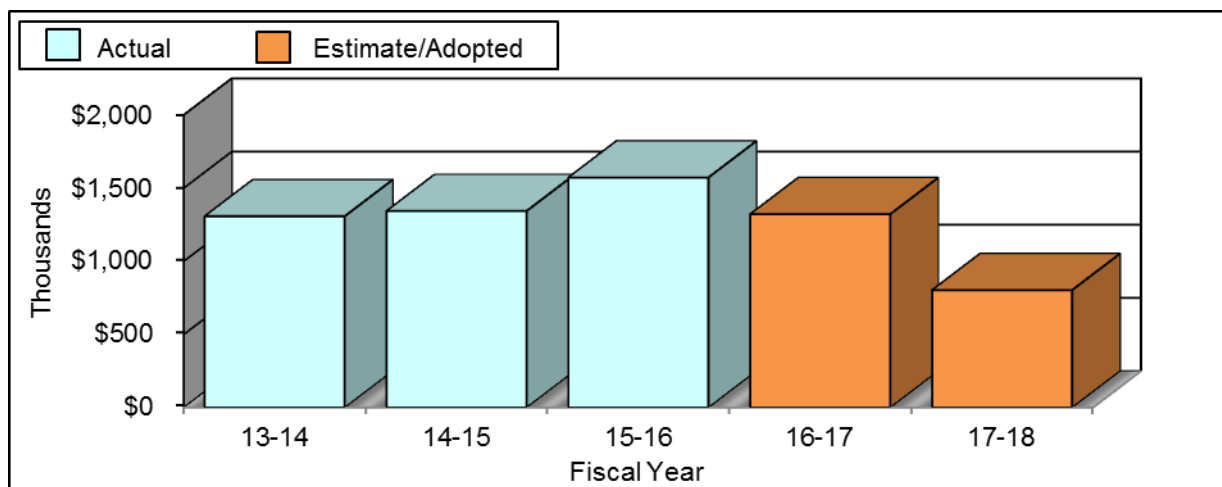
• Airport T-Hangars, Tie-Downs, T-Shades and Other Charges	\$486,400
• Airport Leases	187,400
• Miscellaneous Property Leases	128,600

The revenue related to airport lease activity may only be expended on operations of the Airport Enterprise. Lease revenues collected in the General Fund may be expended for any municipal public purpose.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. The Fiscal Year (FY) 2013-14 and FY 2015-16 increases are mainly the result of lease revenue from the Innovations facility. The FY 2016-17 year-end estimate is an eight month actual and four month projection based upon historical trends and includes a final partial year of lease payments from the Innovations facility from the City's transition from the physical building to a City program, and cancellation of the Arizona Public Service (APS) rental of space in the City Hall Utility Service area.

Projection: The FY 2017-18 adopted budget reflects the end of lease revenue from the Innovations facility.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 1,306,888	14.6
2014-15	1,342,697	2.7
2015-16	1,571,699	17.1
2016-17 (Year-End Estimate)	1,321,554	(15.9)
2017-18 (Adopted)	802,400	(39.3)



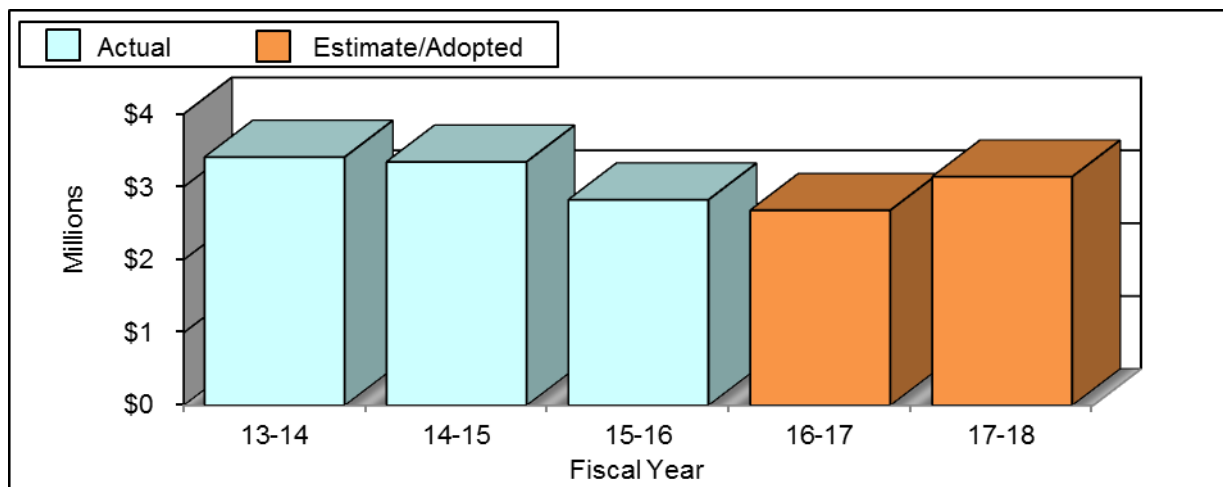
Source: Court Fines

Summary: This revenue is derived from fines and fees levied by the City Magistrate from traffic violations (including photo enforcement), traffic school administrative charges, warrants and jail recovery, juvenile-related offenses, probation monitoring fees, home detention fees, and public defender fees. State statute requires the assessment of an 83% surcharge which is transferred to the State Treasurer, a \$20 probation surcharge which is transferred to the County Treasurer, and a \$15 assessment on all court fines (increased from \$13 during Fiscal Year (FY) 2014-15) split between the City and County Treasurer depending on the citing agency. A City court enhancement fee of \$25 is added to all fines, sanctions, penalties, and assessments imposed by the court, which is used to enhance City court security and automation. The fee for traffic school includes \$25 for the City court enhancement fee and \$100 for the City's General Fund (increased from \$90 during FY 2014-15). Unless otherwise restricted, these revenues may be expended for any municipal purpose.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. FY 2015-16 reflects lower levels of court enhancement fees and photo red light fees due to a change in the photo red light vendor. The FY 2016-17 year-end estimate is an eight month actual and four month projection based on historical trends and the continued impacts of the photo red light program.

Projection: The FY 2017-18 adopted budget assumes a return to a new normal level of photo red light revenue.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 3,407,467	2.5
2014-15	3,342,588	(1.9)
2015-16	2,821,657	(15.6)
2016-17 (Year-End Estimate)	2,678,000	(5.1)
2017-18 (Adopted)	3,137,700	17.2



Enterprise Revenues

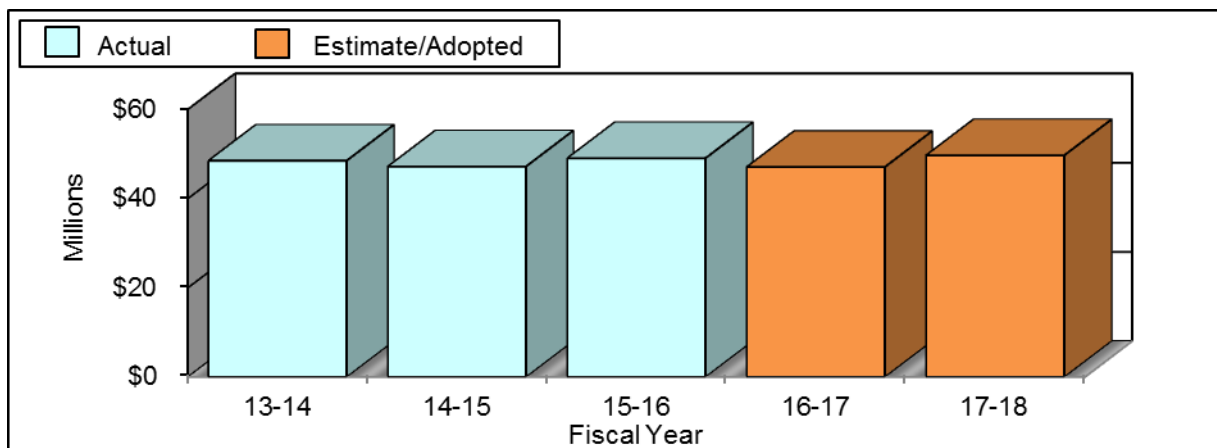
Source: Water Sales

Summary: This revenue source is derived from the sale of water to City residents, as well as Maricopa County residents located within City limits (who pay higher Outside City rates). Monthly water billings consist of a base charge according to meter size and a consumption charge, which varies by customer class. Effective October 1, 2015, consumption charges were converted from a seasonal rate (five months of summer rates and seven months of winter rates) to year round rate. This revenue may be expended only for the Water Enterprise, which includes related operations, capital, debt service, and reserves.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. Rates are reviewed annually to ensure that adequate user fees are charged to cover related water system costs. A water conservation program is in place to encourage citizens to use less water. By using less water, customers can partially offset rate increases in their water bill. The Fiscal Year (FY) 2016-17 year-end estimate is an eight month actual and four month projection based on historical trends.

Projection: The FY 2017-18 adopted budget reflects a 2.5% anticipated revenue increase effective through the rates beginning October 1, 2017 to support debt service related to new and expanded water facilities.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 48,490,198	2.7
2014-15	47,193,618	(2.7)
2015-16	49,043,607	3.9
2016-17 (Year-End Estimate)	47,080,000	(4.0)
2017-18 (Adopted)	49,700,000	5.6



Source: Wastewater Service

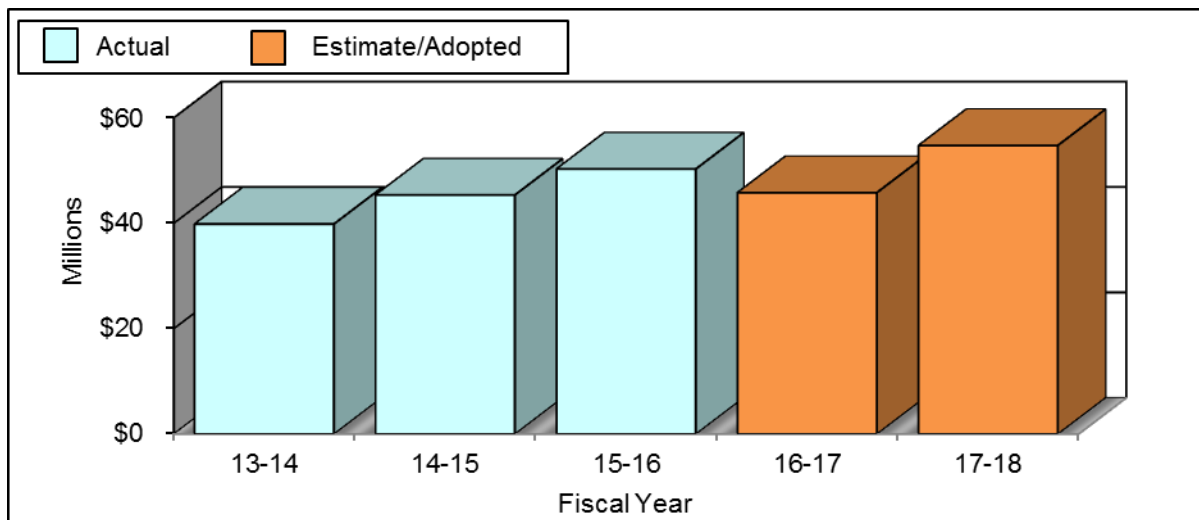
Summary: This revenue source is obtained from the fees charged for wastewater service to City residents, as well as Maricopa County residents located within City limits (who pay higher Outside City rates). Residential customers are charged a flat rate per month, while non-residential customers are charged a monthly base charge and a volume charge based on water consumption, unless a wastewater meter is used to measure flow. This revenue may be expended only for the Wastewater Enterprise (WW), which includes related operations, capital, debt service, and reserves.

This presentation also includes Intel Corporation's reimbursement to the City for operation of the Ocotillo Brine Reduction Facility (OBRF), which is restricted for use by the OBRF. OBRF information is shown separately in the table below so that the WW Portion reflects "normal" wastewater operations.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. Rates are reviewed annually to ensure that adequate user fees are charged to cover related wastewater system costs. FY 2015-16 reflects an October 2015 rate increase of 9% for wastewater and 18% for reclaimed water. The FY 2016-17 estimate is an eight month actual and four month projection based on historical trends and the transfer of reclaimed water revenues to the newly created Reclaimed Water Fund.

Projection: The FY 2017-18 adopted budget reflects a 8% anticipated revenue increase effective through the rates beginning October 1, 2017 to support debt service related to new and expanded wastewater facilities, as well as their expanded ongoing operating costs, including chemicals and electricity. Additionally, Intel Corporation expanded the OBRF, resulting in increased levels of reimbursement revenue if the expansion materializes.

Fiscal Year	WW Portion	% Inc/(Dec)	OBRF Portion	% Inc/(Dec)	Total Amount	% Inc/(Dec)
2013-14	\$ 37,011,817	5.6	\$ 2,833,106	46.6	\$ 39,844,923	7.7
2014-15	40,178,250	8.6	5,177,206	82.7	45,355,456	13.8
2015-16	44,448,994	10.6	5,854,857	13.1	50,303,851	10.9
2016-17 (Year-End Estimate)	38,870,000	(12.6)	6,940,113	18.5	45,810,113	(8.9)
2017-18 (Adopted)	43,200,000	11.1	11,565,926	66.7	54,765,926	19.5



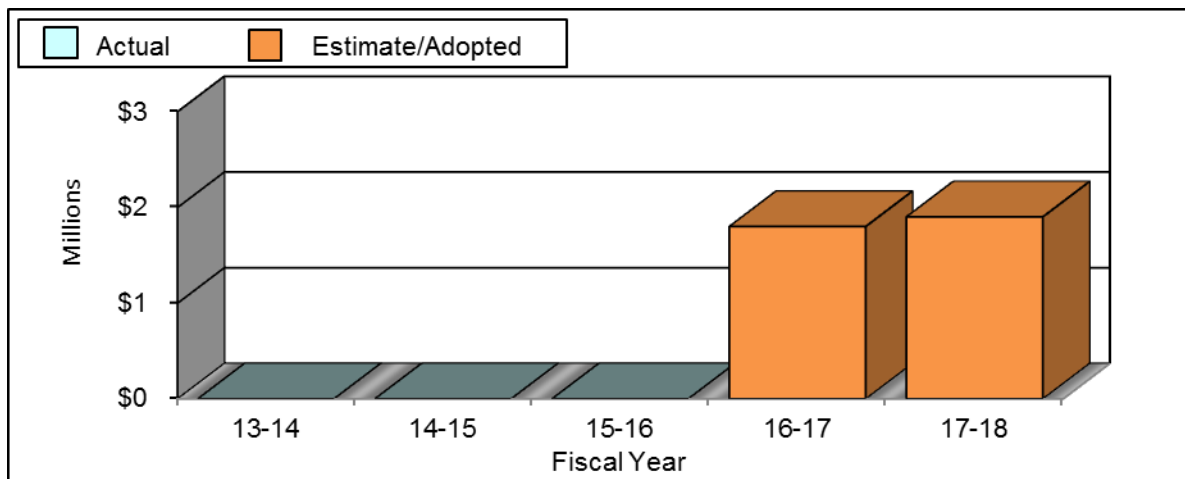
Source: Reclaimed Water Fees

Summary: This revenue source is obtained from the fees charged for reclaimed water sales to City residents, as well as Maricopa County residents located within City limits (who pay higher Outside City rates). Customers are charged a monthly volume rate based on reclaimed water consumption used for irrigation purposes. This revenue may be expended only for the operation of the Reclaimed Water Enterprise.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. Effective Fiscal Year (FY) 2016-17, reclaimed water revenue has been moved to a newly created Reclaimed Water Enterprise Fund to support the cost of producing reclaimed water. Prior to FY 2016-17, this revenue was consolidated with Wastewater Service revenue.

Projection: The FY 2017-18 adopted budget reflects a 15% anticipated revenue increase effective through the rates beginning October 1, 2017 to support expanded operating costs.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ -	0.0
2014-15	-	0.0
2015-16	-	0.0
2016-17 (Year-End Estimate)	1,800,000	0.0
2017-18 (Adopted)	1,900,700	5.6



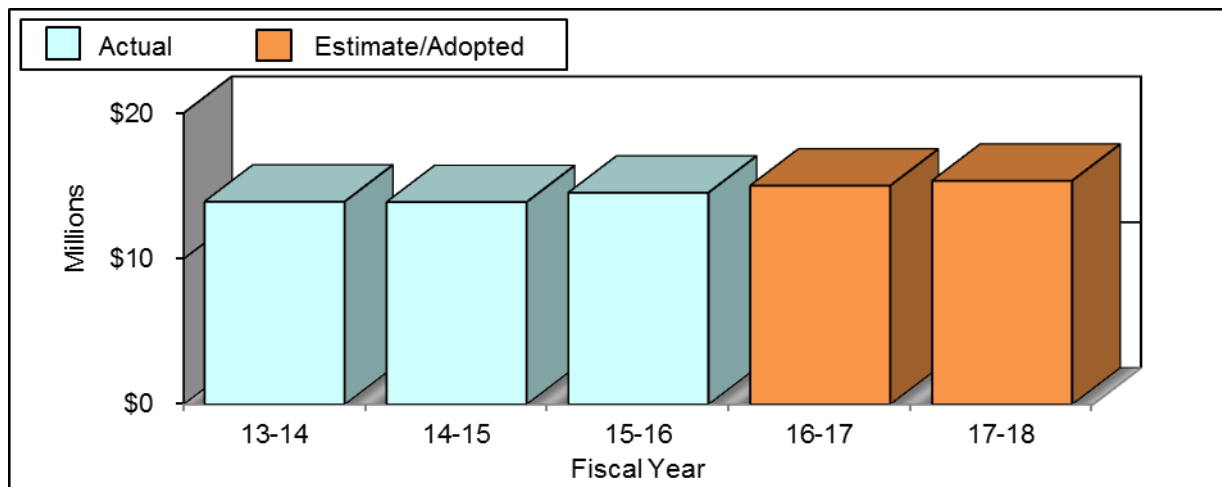
Source: Solid Waste Service

Summary: Solid Waste Service revenue is comprised of commercial refuse hauling permit fees, recycling revenue, solid waste service charges, and residential refuse collection charges. This revenue may be expended only for the Solid Waste Enterprise, which includes related operations, capital, and required reserves.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. Rates are reviewed annually to ensure that adequate user fees are charged to cover operating and capital costs. Fiscal Year (FY) 2015-16 reflects an October 2015 rate increase of 6% (rates had remained unchanged prior to that since FY 2005-06). The FY 2016-17 year-end estimate is an eight month actual and four month projection and includes the full impact of the October 2015 rate increase.

Projection: The FY 2017-18 adopted budget reflects a steady level of solid waste revenues and an anticipated 6% rate increase to be effective beginning October 1, 2017 to support increased operating costs.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 13,916,489	1.5
2014-15	13,879,263	(0.3)
2015-16	14,526,750	4.7
2016-17 (Year-End Estimate)	15,010,813	3.3
2017-18 (Adopted)	15,347,234	2.2



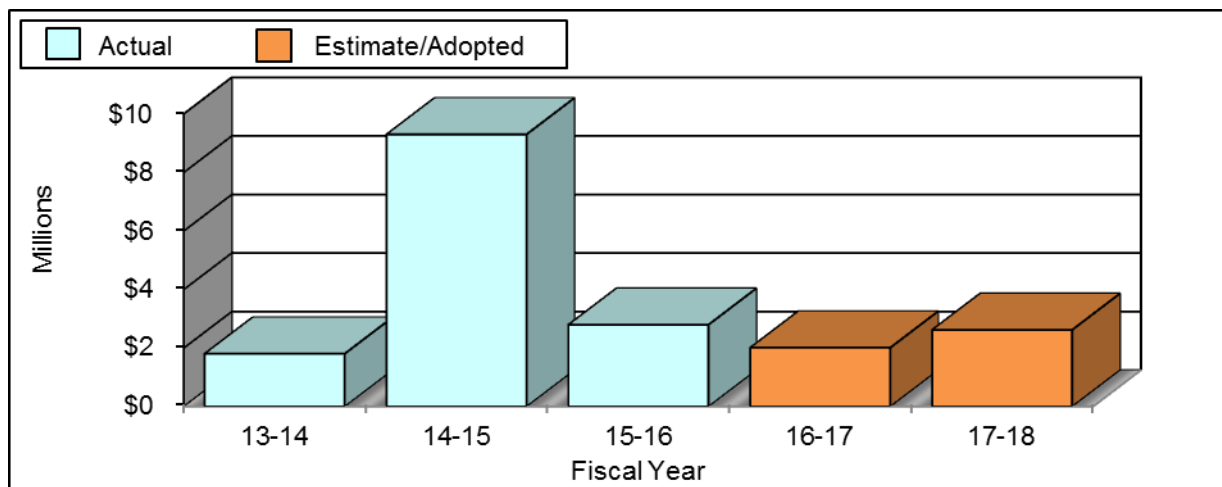
Source: Other Utility Charges

Summary: This revenue category consists of utility fund charges for water meters and meter installations, service connect fees, late fees, miscellaneous service charges, and solid waste container fees (reported in this revenue category starting in Fiscal Year (FY) 2015-16 rather than in a stand-alone revenue category as in prior years due to the combination of various solid waste accounting operations). This revenue may be expended only for the operation of the Water, Wastewater, and Solid Waste Enterprises based on the fund in which the revenue is received.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. The largest revenue source in this category is water meter installations, which fluctuate based on construction growth. The FY 2014-15 amount reflects an increase of \$8 million for reimbursement from Intel Corporation for water rights purchases, as well as a slight decrease from the suspension of utility late fees during the implementation period of the new utility billing system. FY 2015-16 reflects the reinstatement of utility late fees along with higher levels of water meter installations. The FY 2016-17 year-end estimate is an eight month actual and four month projection based on historical trends, with lower levels of water meter installations.

Projection: The FY 2017-18 adopted budget reflects higher levels of water meter installations as the City continues to replace aging meters, as well as wastewater pretreatment program service charges.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 1,802,618	1.5
2014-15	9,297,466	415.8
2015-16	2,791,892	(70.0)
2016-17 (Year-End Estimate)	2,009,563	(28.0)
2017-18 (Adopted)	2,617,128	30.2



System Development Fees

Source: Water System Development Fees

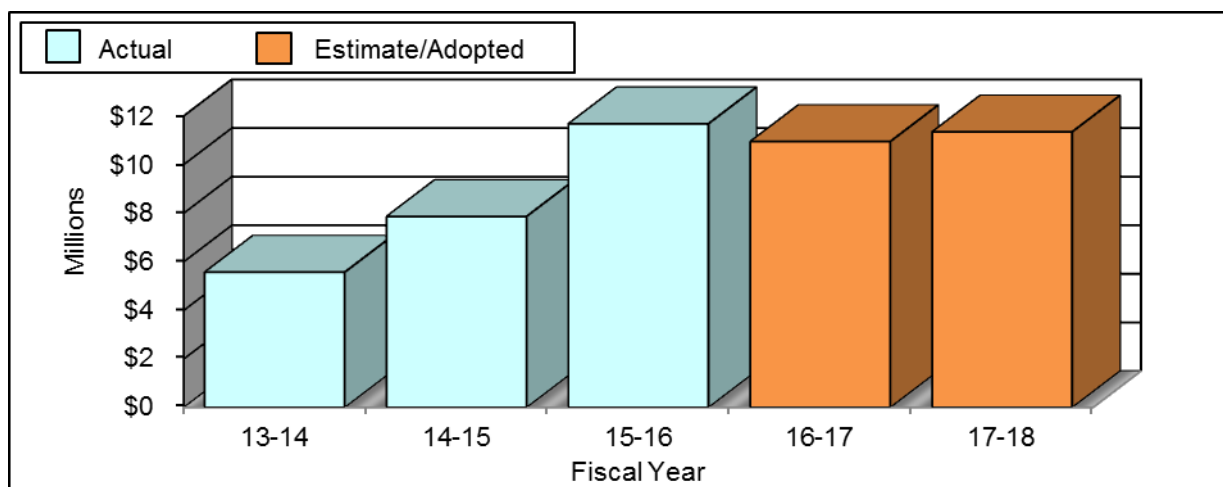
Summary: The City established fees funding a Water Development Reserve Fund in 1980. In 1997, these fees were restructured into system development fees paid by developers to fund growth-related water capital infrastructure. During Fiscal Year (FY) 2013-14, City Council adopted Ordinance No. 4528 that was effective July 2014 to bring the City's system development fee program in compliance with Senate Bill 1525 (passed in FY 2010-11 by the 50th Legislature, First Regular Session) resulting in an increase of 13% to the water system development fee. These fees are reviewed and revised periodically based on current and future water capital expenditures and growth projections, along with Arizona Revised Statute requirements. Per unit fees are based on meter size. Fees for water distribution system connection are also included in this category.

This revenue may only be expended for growth-related water enterprise system capital projects.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. FY 2013-14 reflects increased development activity, including a large corporate expansion project. FY 2014-15 reflects the above mentioned rate increase along with fee payments from several large multi-family developments. FY 2015-16 reflects increased development activity as the economy continues to strengthen. The FY 2016-17 year-end estimate is an eight month actual and four month projection reflecting current development activity.

Projection: The FY 2017-18 adopted budget reflects current market conditions under the existing fee structure.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 5,566,915	10.0
2014-15	7,861,625	41.2
2015-16	11,677,322	48.5
2016-17 (Year-End Estimate)	10,945,049	(6.3)
2017-18 (Adopted)	11,342,300	3.6



Source: Wastewater System Development Fees

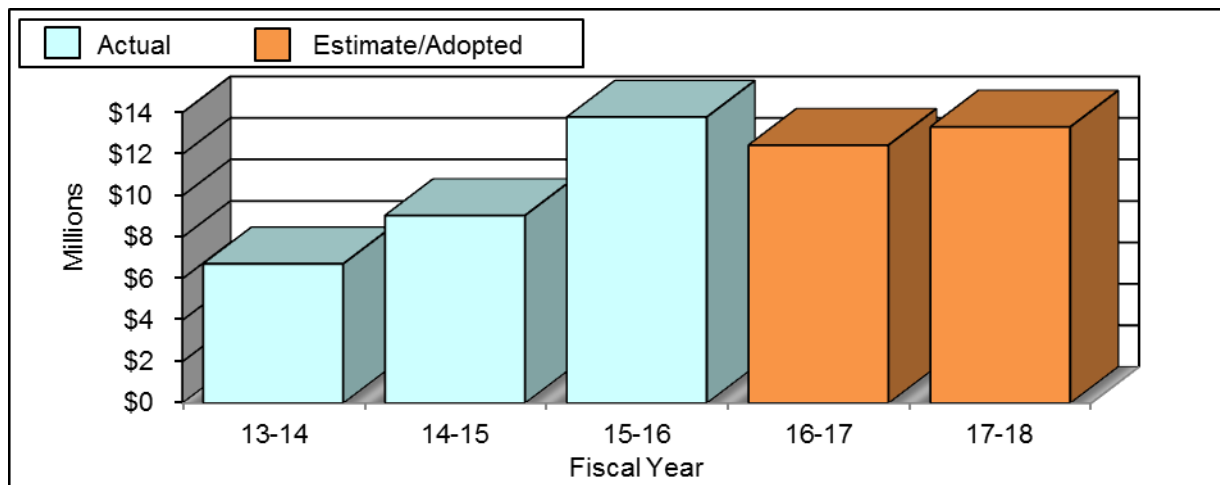
Summary: The City established fees funding a Wastewater Development Reserve Fund in 1980. In 1997, these fees were restructured into system development fees paid by developers to fund growth-related wastewater capital infrastructure. During Fiscal Year (FY) 2013-14, City Council adopted Ordinance No. 4528 that was effective July 2014 to bring the City's system development fee program in compliance with Senate Bill 1525 (passed in FY 2010-11 by the 50th Legislature, First Regular Session) resulting in an increase of 7% to the wastewater system development fee and a decrease of 25% to the reclaimed water system development fee. These fees are reviewed and revised periodically based on current and future wastewater capital expenditures and growth projections, along with Arizona Revised Statute requirements. Per unit fees are based on meter size.

This revenue may only be expended for growth-related wastewater enterprise system and reclaimed water enterprise system capital projects.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. FY 2014-15 reflects the rate changes noted above along with fee payments from several large multi-family developments. FY 2015-16 reflects increased development activity. The FY 2016-17 year-end estimate is an eight month actual and four month projection reflecting current development activity.

Projection: The FY 2017-18 adopted budget reflects current market conditions under the existing fee structure.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 6,717,713	(0.1)
2014-15	9,047,613	34.7
2015-16	13,789,872	52.4
2016-17 (Year-End Estimate)	12,440,700	(9.8)
2017-18 (Adopted)	13,316,500	7.0



Source: General Government Impact Fees

Summary: Starting in 1996, the City passed ordinances to charge impact fees to developers to fund growth-related capital infrastructure in all categories noted below. During Fiscal Year (FY) 2013-14, City Council adopted Ordinance No. 4528 that was effective July 2014 to bring the City's system development fee program in compliance with Senate Bill (SB) 1525 resulting in modifications to all fee categories. A listing of the various impact fees is accompanied by the FY 2017-18 adopted budget for each category:

• Arterial Streets	\$4,972,700	• Police	\$712,500
• Parks	6,208,000	• Public Buildings	271,500
• Fire	1,055,800	• Library	123,500

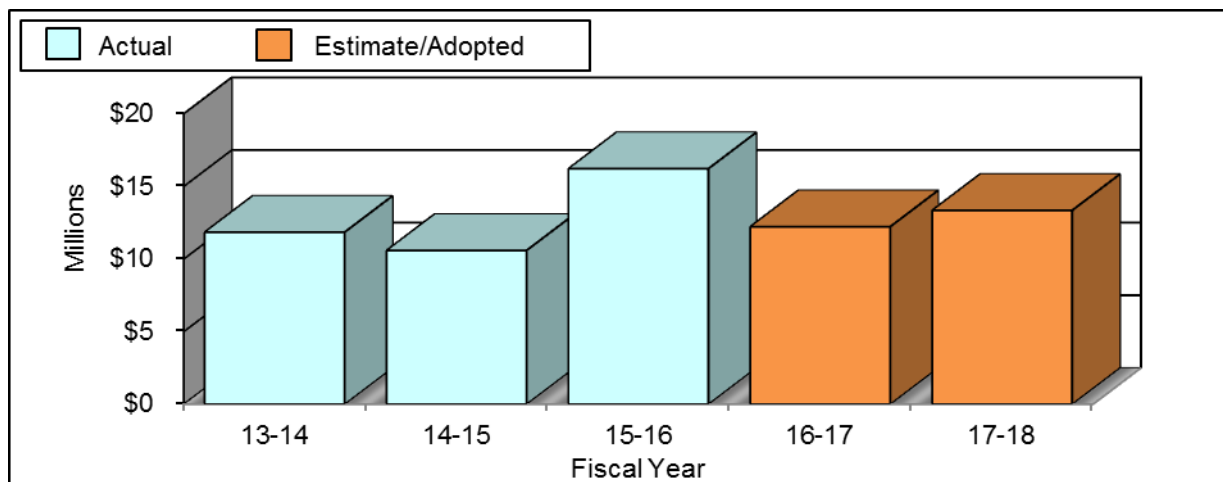
These fees are reviewed and revised periodically based on current and future capacity-expanding capital expenditures, growth projections, and Arizona Revised Statute requirements. Residential fees are charged per dwelling unit, while non-residential fees are charged per building square footage. Library and Park Impact Fees are only charged to residential development, and Park Impact Fees are broken into three different service areas. The Arterial Street Impact Fee is only assessed for properties within the arterial street fee service area. Developers may receive credits for street improvements or right-of-way dedication in the arterial street service area.

This revenue may only be expended for growth-related capital projects within the specific fee category in which they were collected.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. FY 2014-15 reflects the above noted rate changes, which were fee reductions in many categories. FY 2015-16 reflects increased development activity. The FY 2016-17 year-end estimate is an eight month actual and four month projection reflecting current development activity.

Projection: The FY 2017-18 adopted budget reflects current market conditions under the existing fee structure.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 11,846,275	52.2
2014-15	10,585,622	(10.6)
2015-16	16,217,003	53.2
2016-17 (Year-End Estimate)	12,223,400	(24.6)
2017-18 (Adopted)	13,344,000	9.2



Interfund Charges

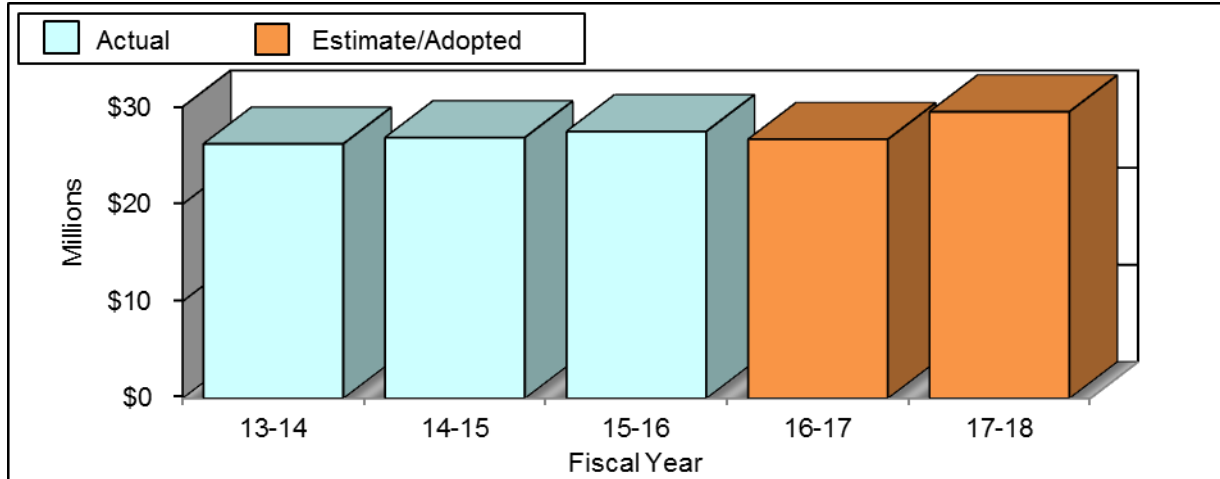
Source: Interfund Charges

Summary: Interfund Charges are payments from various funds and cost centers to a specific fund incurring the cost. For example, equipment or vehicles are purchased in the Equipment and Vehicle Replacement Funds, but funded through annual contributions from each cost center for their replacement. The payments are expenditures in each of the cost centers and recorded as revenue to the replacement funds. Other interfund charges include payments to the medical, dental, and short-term disability self-insurance funds from department cost centers to fund the cost of these benefits.

Analysis: The data below reflects recent years of actual revenue with the percent of increase or decrease. The FY 2013-14 increase reflects increased premiums paid to the Health Care Benefit Trust. The FY 2016-17 year-end estimate is an eight month actual and four month projection based on historical trends.

Projection: The FY 2017-18 adopted budget reflects increased benefit premiums based on higher employee counts, as well as increased levels of contributions to the short-term disability self-insurance fund.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 26,194,407	8.1
2014-15	26,844,868	2.5
2015-16	27,477,409	2.4
2016-17 (Year-End Estimate)	26,661,019	(3.0)
2017-18 (Adopted)	29,499,380	10.6



Interfund Transfers

Summary: Interfund transfers move funds from one fund to another. Examples include transfers to the General Fund for charges that are incurred in the General Fund for administrative support to the Enterprise Funds (Airport, Water, Wastewater, Reverse Osmosis, and Solid Waste), charges to each fund for contributions to the Technology Replacement Fund to ensure future replacement of technology equipment, and transfers made from one fund to another as a loan. Interfund transfers are not added to the overall budget because the original revenues are already budgeted within each of the funds.

Interfund transfers are increasing in Fiscal Year (FY) 2017-18 due to loan transfers from the Water and Wastewater Bond Funds to System Development Funds to finance the Water and Wastewater capital projects. Listed below are all interfund transfers anticipated in FY 2017-18:

Indirect Cost Allocation:

Water Fund to General Fund	\$ 3,291,900
Reclaimed Water Fund to General Fund	79,500
Wastewater Fund to General Fund	2,364,100
Reverse Osmosis Fund to General Fund	446,100
Solid Waste Fund to General Fund	967,000
Airport Fund to General Fund	100,000
Water Fund to Workers' Compensation Self Insurance Fund	22,636
Reclaimed Water Fund to Workers' Compensation Self Insurance Fund	630
Wastewater Fund to Workers' Compensation Self Insurance Fund	15,117
Solid Waste Fund to Workers' Compensation Self Insurance Fund	10,826

Contributions to Other Funds:

General Fund to the Public Housing Authority (PHA) Management Fund	135,000
General Fund to the PHA Section 8 Fund	150,000
General Fund to General Government Capital Projects Fund	70,370,655
General Fund to Insured Liability Self Insurance Fund	500,000
General Fund to Uninsured Liability Self Insurance Fund	450,000
General Fund to Airport Operating Fund (subsidy)	1,043,137
Highway User Revenue Fund to Highway User Debt Service Fund	2,383,988
Transfers from various funds to Technology Replacement Fund	2,903,087

Reimbursements:

Regional Transportation Sales Tax Fund to Arterial Street Impact Fund	1,303,000
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Loans and Loan Repayments:

Water Bond Fund to Water System Development Fund (loan)	8,500,000
Wastewater Bond Fund to Wastewater System Development Fund (loan)	5,000,000
Arterial Street Impact Fund to General Government Capital Projects Fund (loan repayment)	500,000
Public Building Impact Fund to General Government Capital Projects Fund (loan repayment)	200,000
Police Impact Fund to General Government Capital Projects Fund (loan repayment)	500,000

Total Interfund Transfers	<u>\$101,236,676</u>
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Property Tax Summary

Summary: State law prescribes that Arizona municipalities may levy taxes on property for the following purposes with certain limitations and restrictions.

Primary Taxes are those used for general government operations. The total levy for primary taxes is restricted to a 2% annual increase, plus allowances for annexations, new construction, and population increases. The Fiscal Year (FY) 2017-18 primary property tax rate is reduced from the FY 2016-17 rate of \$0.29 per \$100 of assessed valuation to \$0.27 per \$100 of assessed valuation.

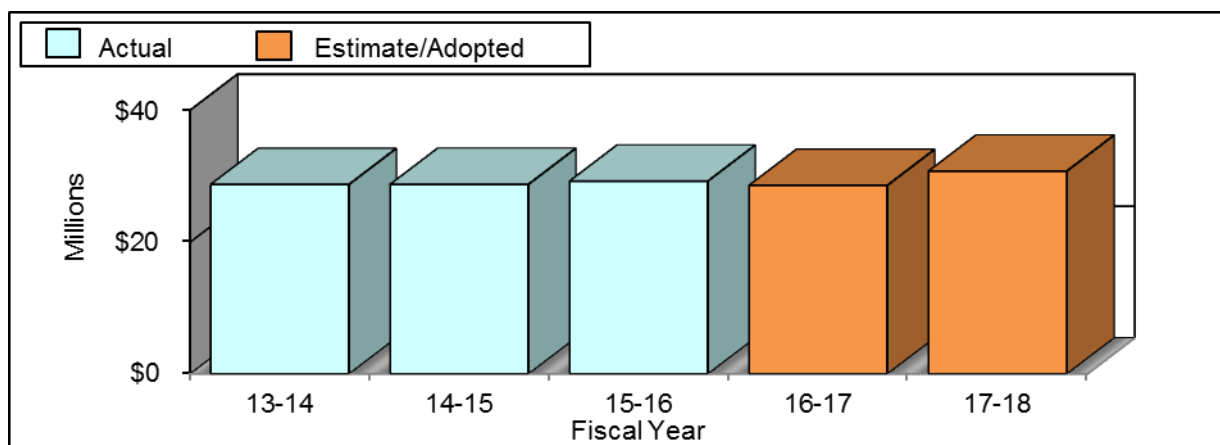
Secondary Taxes are restricted for general bonded debt obligations and voter approved budget overrides. The FY 2017-18 secondary property tax rate is the same rate as the FY 2016-17 rate of \$0.87 per \$100 of assessed valuation.

Senate Concurrent Resolution 1025 (50th Legislature, Second Regular Session) was approved by Arizona voters as Proposition 117 on the November 2012 ballot, and resulted in constitutional limits to the annual growth of limited property values beginning in FY 2015-16. Additionally, the primary and secondary tax levies are now both based on limited property value instead of the prior methodology of primary tax levy based on limited property value and secondary tax levy based on full cash value.

Analysis: The data below reflects recent years of actual revenue, including prior year tax adjustments for both primary and secondary taxes, with the percent of increase or decrease. There is a two-year lag between the market value and the property taxes that are distributed to cities and towns. The FY 2013-14 decrease reflects the last year of declining assessed values after the great recession. Assessed values then started increasing in subsequent years. The FY 2016-17 year-end estimate is an eight month actual and four month projection reflecting higher assessed values offset by a rate reduction for primary property tax.

Projection: The projected tax collections for FY 2017-18 reflect property market values from calendar year 2015, which are then adjusted using the limited property value formula. Higher property values, coupled with lower tax rates, result in a minimal increase in levy revenue. The estimates below include the total primary and secondary levy anticipated as well as an estimate for prior year collections. The property tax rate reduction minimizes the impact of City property taxes paid by residents and other property owners as assessed values increase.

Fiscal Year	Amount	% Inc/(Dec)
2013-14	\$ 28,731,032	(3.6)
2014-15	28,744,684	0.0
2015-16	29,237,607	1.7
2016-17 (Year-End Estimate)	28,592,000	(2.2)
2017-18 (Adopted)	30,749,600	7.5



SOURCE: Property Tax (continued)

Following is a ten-year history of the City of Chandler's assessed valuation and property tax rates per \$100 of assessed valuation, and the adopted Fiscal Year 2017-18 rates and levy:

Year		City Valuation	Overall Rate - Including City, County, School District, and Special Assessment Districts	City Rate	Percent of Total Rate
2007-08	P	\$ 2,362,911,738	\$ 5.93	\$ 0.36	6.1%
	S	2,989,189,876	<u>2.95</u> \$ 8.88	<u>0.84</u> \$ 1.20	<u>28.5</u> 13.5%
2008-09	P	\$ 2,704,382,646	\$ 5.41	\$ 0.3414	6.3%
	S	3,455,175,278	<u>2.74</u> \$ 8.15	<u>0.8400</u> \$ 1.1814	<u>30.7</u> 14.5%
2009-10	P	\$ 3,057,167,831	\$ 5.55	\$ 0.3292	5.9%
	S	3,508,423,522	<u>2.74</u> \$ 8.29	<u>0.8522</u> \$ 1.1814	<u>31.1</u> 14.3%
2010-11	P	\$ 2,944,254,336	\$ 5.70	\$ 0.3292	5.8%
	S	3,111,346,300	<u>3.15</u> \$ 8.85	<u>0.8522</u> \$ 1.1814	<u>27.0</u> 13.3%
2011-12	P	\$ 2,459,494,796	\$ 6.74	\$ 0.3292	4.9%
	S	2,468,626,617	<u>3.65</u> \$ 10.39	<u>0.9422</u> \$ 1.2714	<u>25.8</u> 12.2%
2012-13	P	\$ 2,246,527,350	\$ 7.32	\$ 0.3292	4.5%
	S	2,255,179,301	<u>3.80</u> \$ 11.12	<u>0.9422</u> \$ 1.2714	<u>24.8</u> 11.4%
2013-14	P	\$ 2,157,002,870	\$ 7.81	\$ 0.3292	4.2%
	S	2,175,376,677	<u>3.83</u> \$ 11.64	<u>0.9422</u> \$ 1.2714	<u>24.6</u> 10.9%
2014-15	P	\$ 2,277,718,171	\$ 8.31	\$ 0.2992	3.6%
	S	2,381,590,083	<u>4.09</u> \$ 12.40	<u>0.8800</u> \$ 1.1792	<u>21.5</u> 9.5%
2015-16	P	\$ 2,380,457,981	\$ 7.59	\$ 0.2992	3.9%
	S	2,380,457,981	<u>4.28</u> \$ 11.87	<u>0.8800</u> \$ 1.1792	<u>20.6</u> 9.9%
2016-17	P	\$ 2,553,971,787	\$ 7.62	\$ 0.29	3.8%
	S	2,553,971,787	<u>4.17</u> \$ 11.79	<u>0.87</u> \$ 1.16	<u>20.9</u> 9.8%

Type	2017-18 City Valuation	% Inc/(Dec)	2017-18 Adopted Rates	2016-17 Levy	2017-18 Levy*	% Inc/(Dec)
Primary	\$2,675,480,112	4.76%	\$0.27	\$ 7,406,518	\$ 7,223,796	(2.46%)
Secondary	2,675,480,112	4.76%	<u>0.87</u> \$1.14	<u>22,219,555</u> \$29,626,073	<u>23,276,676</u> \$30,500,472	<u>4.75%</u> 2.96%

* Reflects maximum levy, but rounded for budgeted revenue estimates to \$7,223,000 primary and \$23,276,600 secondary, for a total of \$30,499,600.

New or Modified Fees in Citywide Fee Schedule

Each year, departments review their fees to determine if any updates are necessary that require modifying, eliminating, or adding a new fee. A Summary of Proposed New and Modified Fees was posted on the City's web site on February 2, 2017 for 60 days, and a Notice of Intention to Amend the Citywide Fee Schedule was published in the Arizona Republic, as well as through social media, to alert the public of the proposed changes. On April 13, 2017, an agenda action item allowed for Council discussion and public comment prior to Council approving the following changes that are effective July 1, 2017.

<u>Name of Department/Fee</u>	<u>Current Fee</u>	<u>Fee Effective 7/1/17</u>
<u>Fire, Health and Medical</u>		
Healthcare Facility/Daycare/Institutional Permit for Home Care Facility	\$85/permit	Eliminate fee due to Arizona Department of Health no longer requiring fire inspections in these facilities. Future inspections at these facilities now fall under existing business fire inspection regulations.
Healthcare Facility/Daycare/Institutional Permit for Commercial Facility	\$170/permit	

Management Services

Administrative Fee for Series 18D Liquor License (Liquor Distilleries)	New Fees due to State of Arizona adding new types of liquor licenses	\$200 Application Fee \$200 Issuance Fee \$1,000 Annual Fee
Administrative Fee for Series 19D Liquor License (Liquor Tasting Rooms – Spirits)		\$200 Application Fee \$200 Issuance Fee \$300 Annual Fee
Administrative Fee for Series 19W Liquor License (Liquor Tasting Rooms – Wine)		\$200 Application Fee \$200 Issuance Fee \$300 Annual Fee
Administrative Fee for Series 20 Liquor License (Farm Winery Producer)		\$200 Application Fee \$200 Issuance Fee \$300 Annual Fee
Administrative Fee for Series 21 Liquor License (Wine Producer Custom Crush)		\$200 Application Fee \$200 Issuance Fee \$300 Annual Fee